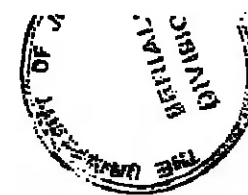


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Michael
Tomlinson

LAW
&
ANALYSIS



Eastern Europe

Privatisation will
fuel new advances

Emerging markets, Page 21



Drawing the line

Nato seeks a new
reason to exist

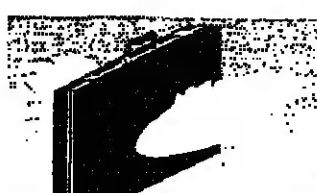
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A willing sacrifice

Stephen Wolf steps
down to save UAL

Interview, Page 12



Rights in flight

Taking the lumps
out of being bumped

Business travel, Page 9

FINANCIAL TIMES

Europe's Business Newspaper

MONDAY, JANUARY 10, 1994

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US strikes deal with Abu Dhabi over BCCI assets

The US has reached a deal with Abu Dhabi that settles some counter-claims on the assets of the collapsed Bank of Credit and Commerce International. It also gives US prosecutors access for the first time to Sheikh Zayed bin Sultan, second-ranking manager of BCCI, who has been under house arrest pending charges in the Gulf emirate.

US legal and banking authorities as well as trustees for First American, the US bank illegally controlled by BCCI, agreed to drop a civil lawsuit against Sheikh Zayed bin Sultan, ruler of Abu Dhabi and BCCI's majority shareholder. Page 3

General Motors, world's largest vehicle maker, aims for a net profit on its North American automotive operations in 1994 after three years of heavy losses, chief executive Jack Smith said. Page 15

Sydney waits for rains Cooler weather offered Sydney hope of an end to its four-day battle with bush fires that have destroyed more than 150 homes on the outskirts of the city and killed four people. Rain is not due until Wednesday at the earliest. Story and picture, Page 4

US to ask EU help over Japanese markets US trade representative Mickey Kantor will today ask the European Union to join an effort over the next month to persuade Japan to open its domestic markets further. Page 14; Hectic three months for trade negotiators, Page 3

Support for Mideast accord slides Palestinian support for the peace agreement with Israel is disintegrating and economic conditions in the occupied territories are deteriorating, the Israeli cabinet has been told. Page 4

Failings in Metallgesellschaft's US arm As losses at stricken German metals and oil trading group Metallgesellschaft began to mount in the autumn, further misjudgments by the group's management in the US added to the scale of the disaster. When the hedging had to stop, Page 18



The chart shows the member currencies of the exchange rate mechanism measured against the weakest currency in the system. Most of the currencies are permitted to fluctuate within 15 per cent of agreed central rates against the other members of the mechanism. The exceptions are the D-Mark and the guilder which move in a 2.25 per cent band.

ESM faces tough start The council of the European Monetary Institute, forerunner of the European central bank, holds its inaugural meeting in Frankfurt tomorrow with difficult questions still to be resolved over staff pay and conditions. Page 14

Irish peace plan in jeopardy Prospects for peace in Northern Ireland receded after Sinn Féin, political arm of the IRA, demanded British action to "persuade" unionists to accept Irish unity and UK prime minister John Major again refused republican demands for "clarification" of the Anglo-Irish joint declaration. Page 8

UBS dismissal cases A prominent City of London investment analyst is serving subpoenas naming three leading UK industrialists to attend his case for unfair dismissal against UBS Securities, investment bank subsidiary of Switzerland's biggest bank. Page 18

China's \$100m fund The investment arm of China's Guangdong Provincial Government is launching a \$100m direct investment fund which will be listed on the London Stock Exchange. Page 15

Banesto changes urged last autumn J.P. Morgan, US bank advising Banco Español de Crédito (Banesto) before its board was dismissed two weeks ago, urged Mario Conde, Banesto's former president, last autumn to make changes in the bank's senior management as part of a recovery plan. Page 18

Mexico City blasts Four bombs exploded in Mexico City at the weekend and a grenade was tossed at a government building in the resort of Acapulco in further signs of an extension of the uprising in the southern state of Chiapas. Page 4

ANC officials attacked A journalist was killed and two wounded when gunmen attacked a party of officials including ANC general secretary Cyril Ramaphosa in the township of Katlehong, Johannesburg. Ramaphosa was unhurt.

Peace move by Burmese guerrillas Burma's largest remaining guerrilla group, the Karen National Union, is to hold peace talks today with the government. Page 4

President declares US depends on security of a democratic continent Clinton urges European unity

By Jurek Martin in Brussels

Bill Clinton opened his first presidential visit to Europe with a powerful call for integration of the continent, east and west as part of a renewed partnership with the US.

At least 100,000 US troops, he said, would remain in Europe "not out of habit" but because the commitment was "justified".

Proclaiming a "new day for our transatlantic partnership" in a speech at the Brussels town hall, the president declared that the US depended on the security of a free and democratic Europe.

Mr Clinton said that the "new security" would rest on three pillars - military strength, to be discussed at the Nato summit beginning today; economic security (Mr Clinton also announced that the long delayed "jobs summit" would be held in March); and the growth of democracy, which could prove an effective antidote to preventing another Bosnia.

Alluding to fears aroused by the rise of Russian nationalism, Mr Clinton maintained it would be wrong "to draw a new line between east and west that could create a self-fulfilling prophecy of future confrontation".

While "the statements of some Russian political figures have given us all genuine cause for concern," the "staggering" recent developments in Russia had to be kept in perspective. "Our road to Europe's integration will be wider, smoother and safer" if Russia could be helped to evolve into "a market democracy at peace with its neighbours," he said.

It was vital that what might prove to be "a fleeting" opportunity to bring the former Soviet bloc on board not be missed, he said. Integration may prove "gradual and often difficult," as



Thirsty work: Clinton's car prepares to leave Brussels airport for the Nato summit at the start of his maiden presidential visit to Europe

Germany's experience had shown, but "the Iron Curtain must not be replaced by a veil of indifference".

Mr Andrei Kozyrev, Russia's foreign minister, echoed Mr Clinton's theme yesterday, saying fears of a new "threat from the east" would be dispelled by a strategy of partnership with the democratic forces in Russia, in spite of the success of the ultra-nationalist and communist parties in last month's elections.

In particular, Mr Clinton urged western Europe to open its economic doors to the east. The suc-

cess of eastern Europe "will ultimately depend more on trade than aid" given the shortage of money in western government coffers. This meant continuing to reduce barriers to trade and

investment, a message he will reinforce at a session with European Union leaders tomorrow before travelling on to Prague, Moscow, Minsk and Geneva.

Mr Clinton also commended to European attention the US Partnership for Peace proposals, to be endorsed at the Nato summit which would allow eastern European states to gradually strengthen their links with Nato.

Meanwhile, the president's European itinerary later this week could change should a satisfactory agreement be reached over the dismantling of the

nearly 1,800 former Soviet nuclear missiles based in Ukraine. The problem of nuclear proliferation, Mr Clinton said, was "one of our most difficult and challenging tasks".

US officials confirmed that progress had been made in indirect negotiations with Ukraine. But they stressed that it remained to be seen if President Leonid Kravchuk could secure the agreement of his parliament in Kiev. A US offer to buy up to 500 tons of uranium extracted from Russian and Ukrainian missiles remains on the table.

Some big companies favour an independent rating authority, while others argue that the cost and delay involved in such an authority would be devastating to their profitability.

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Video game makers plan rating system

by George Graham in Washington

Video game manufacturers in the US, under political pressure to limit the violence and sexual content of their products, have agreed to set up a system to rate games according to their suitability for children.

In an initial proposal outlined this weekend at the Consumer Electronics Show in Las Vegas, the Software Publishers Association, representing 1,100 companies, suggested a four level system ranging from E for everyone to AO for adults only.

Game makers would rate their own products, but they could be fined by an industry-appointed council if they violated agreed guidelines.

Some video game companies, including Sega, which has overtaken Nintendo as the market leader in the US, already publish ratings with their games, but the industry is still some way from making the system general.

But as games get bloodier and more realistic with the development of advanced graphics, the \$6bn-a-year industry is under mounting pressure from the US Congress and from customers to

crack down on some of the more explicit games.

Senator Joseph Lieberman of Connecticut and Senator Herb Kohl of Wisconsin have proposed a bill that would impose ratings on the video game industry if it fails to produce a satisfactory system of its own within a year.

Two top-selling games under particular scrutiny are Mortal Kombat, sold in different versions by both Sega and Nintendo, in which a victorious player can disembowel an opponent or rip out his heart, and Night Trap, a parody of 1950s horror movies in which players try to defend semi-

naked women from blood-sucking zombies. Night Trap was removed from sale last month by Toys "R" Us, the big toy-retail chain, because of its content.

Although the Software Publishers Association proposal is now expected to form the basis for an industry-wide rating system, there is still disagreement among

game makers about the way such a system should operate.

Some big companies favour an independent rating authority, while others argue that the cost and delay involved in such an authority would be devastating to their profitability.

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Ciampi under pressure on eve of no-confidence vote

By Haig Simonian in Milan

The fragile eight month-old government of Mr Carlo Azeglio Ciampi, Italy's prime minister, is facing one of its sternest tests this week as parliament meets for a crucial no-confidence motion on Wednesday which could determine Mr Ciampi's future and the timing of new elections.

The political tension rose after magistrates started to interrogate Mr Maurizio Broccolotti and Mr Luigi Bisignani, two central figures in the long-running political corruption scandal, who returned to Italy last week.

Both men are believed to have access to important evidence which could affect the present government and influence this week's parliamentary debate.

The most explosive testimony is expected to come from Mr Broccolotti, a top administrator of the secret services, extradited from Monaco on Thursday.

He has claimed a string of senior ministers regularly received payments from the secret services over the past

decade. Mr Broccolotti's allegations include two previous ministers of the interior, administratively responsible for the secret services, and the present incumbent, Mr Nicola Mancino.

His claims, which come as Italy's political parties manoeuvre frantically for advantage

ahead of the no-confidence vote, could provoke further ministerial resignations.

They also involve Mr Vincenzo Parisi, the head of the national police force, who offered to resign at the weekend. The resignation was rejected by the government, and Mr Parisi is expected to make a statement to magistrates this week.

Allegations of high-level corruption by Mr Broccolotti last November rocked the political establishment and triggered an unusual television address to the nation from President Oscar Luigi Scalfaro. Mr Broccolotti has now raised the stakes by accus-

ing several ministers, and Mr Scalfaro, a former interior minister, of covering-up the evidence.

But observers have treated the claims with caution, amid a stream of conflicting allegations, including suggestions that some disaffected members of the secret services have been conducting a disinformation campaign against the present government.

Mr Bisignani, one of the six remaining suspects in hiding in the corruption scandal, gave himself up to Milan police on Friday. Magistrates believe Mr Bisignani played a vital role as a political go-between, passing illegal payments from industry to senior politicians.

A former Rome correspondent for the Ansa news agency, Mr Bisignani had high-level political contacts, notably in the Christian Democrat party. He is also believed to have played a central role in transferring large kickbacks from the Montedison chemicals group, where he was head of external relations, to the parties during negotiations to dissolve the ill-fated Enimont chemicals joint venture in 1990.



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NEWS: INTERNATIONAL

Alliance involvement in tripartite peace plan seen as vital Bosnians to press for Nato air strikes

By Judy Dempsey in Bonn and Laura Silber in Belgrade

Bosnian officials are planning a diplomatic drive to persuade Nato to launch air strikes against Serb positions as a means of protecting aid convoys and lifting the siege of Sarajevo.

Separately, in a letter sent to this week's Nato summit in Brussels, the Bosnian government urges the defence alliance's involvement in any peace plan agreed between Bosnia, Croatia and Serbia.

"Nato is the only entity that can muster the necessary forces with the proper mandate and resources that are critical to a successful programme," it

said. The letter coincides with growing impatience within the European Union over failure to reach a negotiated political settlement.

Yesterday, Mr Jean-Luc Dehaene, Belgian prime minister, said the Nato summit must "give a signal... We must seriously consider whether to carry out air strikes".

The US and Britain sent a demarche to Serbia's President Slobodan Milosevic at the weekend stating that air strikes in support of aid convoys had not been ruled out.

In an interview on BBC television yesterday, Mr John Major, British prime minister, reaffirmed the UK's readiness to launch air strikes if the UN

requested Nato to do so.

The renewed attempts by the Bosnian government to involve Nato came as Lord Owen and Mr Thorvald Stoltenberg, the international peace negotiators, sought agreement between Bosnia and Croatia on a ceasefire in and around Vitez, a Croat enclave in the centre of the republic.

Talks, which had been due to open in Bonn on Saturday, were postponed until yesterday after shelling at Sarajevo airport prevented Bosnian President Alija Izetbegovic's departure.

The talks between Mr Izetbegovic and President Franjo Tudjman of Croatia will aim to end conflict in central Bosnia

and reach agreement on the future status of Mostar in western Herzegovina. Bosnia's access to the sea under an eventual peace agreement will also be discussed.

But Bosnian government officials yesterday said they were determined to hold on to the area around Vitez. "There are crucial military installations and production facilities here," a senior diplomat said.

"The Croats want this region, so do we," he added. However, he said the Bosnian government opposed the imposition of sanctions on Croatia as a means of applying pressure on Zagreb to pull its troops out of Bosnia.

Moslem forces pushed forward against their Croat adversaries in the town of Vitez as British UN troops braved the fighting to rescue civilians.

The clashes heightened the prospects for all-out military intervention by Croatia, after warnings last week by Mr Tudjman and senior Croat officials that Zagreb would intervene if the Moslems did not halt their offensive in the Lasva valley, in central Bosnia.

A British officer in Vitez yesterday said the Moslems appeared to have launched a surprise pre-dawn attack. At least four people were killed, including three children, and more than 30 injured in the fighting, according to local officials. As the fighting flared,

British forces in armoured personnel carriers helped evacuate civilians from surrounding villages.

Meanwhile, spurring western threats to launch air strikes against Serb forces attacking Sarajevo, Bosnian Serb leader Radovan Karadzic reiterated his aim to create a Greater Serbia.

"Our goal is to unite with Serbia, we cannot hide that. This is our right," he told an assembly session marking the second anniversary of the declaration of his self-styled Serb state. The meeting was held in Pale, the mountain stronghold less than 10 miles east of the besieged Bosnian capital.

Editorial Comment, Page 13

Bribery claims shake Belgian coalition party

By Andrew Hill in Brussels

Belgium was shaken this weekend by publication of leaked allegations of bribery and corruption at the heart of the country's French-speaking Socialist party, one of four members of the fragile governing coalition.

Mrs Veronique Anclia, an investigating magistrate from Liege, wants to question three Socialist ministers about claims that money was promised to the party in relation to a 1988 contract for military helicopters awarded to Augusta, the Italian aircraft manufacturer.

Members of the national parliament, and the assemblies of the country's Walloon region and French-speaking community, will this week consider whether to agree to her request that the ministers' parliamentary immunity be lifted.

But the formal procedure may be disrupted by the wholesale leaking of the secret report justifying Mrs Anclia's request.

The report was widely cited by Flemish radio last week and published in full by certain Belgian newspapers on Saturday.

"What is at stake in this affair is too important... for the truth never to see the light of day," the francophone daily *La Libre Belgique* argued in an editorial.

As published, the report alleges that vital documents were doctored to favour the Augusta bid over French and German competition. It concludes that "the way in which the contract was granted was

tainted with illegal acts... and forgery".

Mrs Anclia's inquiry has been based on interviews with sources including Mr Philippe Moureaux, another senior member of the French-speaking Socialist party, ministerial advisers, and senior army officers.

All three Socialist ministers - Mr Guy Coëme, Belgian deputy prime minister, Mr Guy Spiaux, minister-president of Wallonia, and Mr Guy Mathot, Walloon minister of internal affairs - again denied last week that they were involved in any wrongdoing.

Critics of the way in which the inquiry has been handled now say two key principles of Belgian law - the secrecy of legal investigations and the presumption of innocence - have been broken.

Mr Mathot claimed yesterday that he was being subjected to the "justice of the streets", with no right of defence.

Public discussion of the scandal has also raised fears of a split in the francophone Socialist party, a rekindling of animosity between French-speaking Wallonia and Dutch-speaking Flanders, and even the disintegration of the government itself.

The Volksunie, a moderate Flemish nationalist party, certain young French-speaking Christian Democrats, and most of the Flemish press have already called for the resignation of Mr Coëme, who was defence minister at the time of the Augusta deal.

Augusta itself has always denied any connection with illegal financial dealings.

Senior Kohl aide calls for change in tough export guidelines

Bonn urged to ease arms rules

By Ariane Genillard in Bonn

Mr Friedrich Bohl, a senior aide to Chancellor Helmut Kohl, yesterday called for a revision of Germany's strict guidelines on arms exports.

Speaking on radio, Mr Bohl, minister in charge of the chancellery, defended a proposal by conservative parliamentarians last week to lower Germany's tough 1983 restrictions on weapons exports and harmonise them with less stringent standards in the European Union.

Mr Bohl said it was "fully unrealistic" to expect Germany's EU partners to raise their own arms trade restrictions. "We have to reach a rea-

sonable compromise in line with our moral standards and international obligations."

The restrictions include a ban on arms sales to any conflict zone or "area of tension". This rules out German arms exports to most of the Middle East. They also apply to technology easily converted from civilian to military use.

Conservative members of parliament have recently stepped up pressure on the federal government with calls for a relaxation of the guidelines.

Members of the Bavarian Christian Social Union (CSU), a key coalition partner for Mr Kohl's Christian Democratic Union (CDU), have been particularly vocal in an effort to

help the local arms industry, which faces large job-losses because of the recession and federal defence cuts.

Mr Karl Lammer, foreign affairs spokesman for the CDU/CSU in parliament, last week put forward a proposal for more liberal guidelines to allow cross-border co-operation in the defence industry.

The idea has received strong support from the powerful BDI industry federation.

"The threatened exit of German companies from the field of defence technology must be prevented. This would have drastic consequences for our competitiveness, our security and foreign policy and the capacity of our army," said a

BDI statement. German businessmen complain that Germany's tough restrictions are giving an unfair advantage to competitors.

The parliamentary proposal has also been backed by Mr Wolfgang Schäuble, parliamentary leader of the CDU and one of the most influential advisers to Mr Kohl. However, Mr Kohl and his ministers are unlikely to be willing to open up such a sensitive public issue in an election year.

German restrictions on the sales of armaments abroad have been tightened in the last decade after it was found out that German defence equipment was used in Libya and Iraq.



President François Mitterrand tours the flooded south-western town of Saintes by boat at the weekend

French rescuers seek flood victims

Rescue workers yesterday struggled to reach four people feared crushed in their homes when an avalanche of mud devastated the French Alpine village of La Salle-en-Beaumont, Reuter reports.

Rescuers using mechanical excavators worked through the night in a desperate effort to clear away the tons of sodden earth that swept through early on Saturday.

The mud destroyed eight

homes and the village church, about 35 miles south of Geneva, and two middle-aged couples were almost certainly buried in their sleep, officials said.

The landslide, over 600 yards long and 300 yards wide, started when a rain-swollen canal overflowed in the mountains above the village, pouring water on to a precipice already soaked by weeks of rain.

One of the men believed

killed had been warned by telephone of the landslide but decided to stay in his home.

The landslide was the worst incident since relentless rains began in France last month, causing at least five confirmed deaths, flooding thousands of acres and forcing thousands to flee their homes.

Surging waters broke through a string of dams in the southern Camargue region at the mouth of the Rhone on Sat-

urday, threatening the vast region which was devastated by floods in October.

Access to the southern city of Arles was cut off early on Sunday because of flood-

waters.

President François Mitterrand on Saturday toured flooded streets in the south-western town of Saintes by boat. More than 500 houses in Saintes and the surrounding region had to be evacuated.

Ciampi's fate in the hands of parliament

No-confidence debate will prove decisive, writes Haig Simonian

For experienced watchers of Italian politics, the coalition government's closing weeks show all the signs of Roman politics at their most introspective.

Rather than mirroring the mood of change supposedly sweeping the country, the talks held last week by Mr Carlo Azeglio Ciampi, the prime minister, and party leaders ahead of Wednesday's crucial no-confidence vote were more reminiscent of the sort of back-room dealing which has been a hallmark of Italian politics since the second world war.

But whatever the political manoeuvrings before the parliamentary motion, the debate itself is expected to prove decisive for Mr Ciampi's future and the timing of new general elections.

Although the prime minister has been shuffling about his tactics, President Oscar Luigi Scalfaro, with whom Mr Ciampi has co-operated closely, is widely expected to dissolve parliament immediately after the debate, irrespective of its outcome.

In early December, most Italians had expected President Scalfaro to announce the election date in his year-end address. Almost two years of political corruption investigations have cut a swathe through the political establishment and mid-March appeared most likely.

Shortly before the address, however, Mr Marco Panella, leader of the small Radical party, persuaded many deputies to table a no-confidence motion. In the circumstances, Mr Scalfaro, a firm believer in parliamentary rights, decided to delay an announcement until the legislature had expressed itself on the Ciampi government.

The Christmas break and Mr Ciampi's commitments at this week's Nato summit in Brussels have postponed the debate until Wednesday. In the interim, the prime minister has sounded out party leaders on the timing of elections.

Party attitude to the polls fall into three camps. The clearest is that of the Democratic Party of the Left, the Northern League and the neo-fascist MSI. All three, though light years apart ideologically, expect to perform well and therefore want an early vote.

By contrast, a large number of deputies, predominantly from the coalition of Christian Democrats, Socialists and two smaller parties which technically support Mr Ciampi, want it put off for as long as possible.

Their motive is self-interest. Dozens of deputies caught up in the corruption scandals have managed to avoid interrogation - and possible incarceration - thanks to their parliamentary immunity. Should they lose their seats, their immediate prospects are not rosy.

The third camp also comprises members of the four-party coalition. They, too, would like polling postponed, ideally to June, when they could be combined with European parliamentary elections.

However, their motives are substantially different from those of their colleagues fearing prosecution. Headed by Mr Mino Martinazzoli, the Christian Democrat leader, the third group sees postponement as offering an opportunity to regroup the tattered centre of Italian politics.

Mr Martinazzoli's DCs, traditionally an umbrella party bringing together widely differ-

ent schools of thought, are most exposed. Once Italy's biggest grouping, the party is set to suffer badly at the ballot box.

Some right-wing members have already defected to Mr Mario Segni, the popular former Christian Democrat, whose popular referendum movement has been the catalyst for many of the most important political reforms of the past two years.

The Christian Democrats are also fraying on the left. Deputies from the Veneto region have called for the immediate creation of a party to replace its discredited forerunner. Last week another splinter group, dubbed the "neo-centrists", attacked Mr Martinazzoli's



Prime minister Ciampi (above) has co-operated closely with President Scalfaro (top)

leadership with calls for deeper reforms.

The pressures within the Christian Democrats have been clearly communicated to President Scalfaro, himself a former DC minister, and Mr Ciampi, whose coalition is largely based on the party's support.

So far, both men have resisted the pressures. Mr Ciampi is a former central bank governor who has made much of his current role as leader of an "institutional" government of technocrats largely independent from party politics.

Mr Scalfaro, who is required to put aside his former political allegiances as head of state, has shown admirable impartiality.

The latest twist in the political corruption scandal, with the extradition last week from Monaco of Mr Maurizio Broccolotti, has raised the pressures further on both men. Mr Broccolotti, a top secret service administrator, has made explosive claims about payments to senior politicians and an alleged state cover-up.

The allegations, which include the present interior minister, Mr Nicola Mancino, and indirectly touch on President Scalfaro, may be deliberate disinformation. However, their impact, far from intimidating the president and prime minister, may only serve to stiffen Mr Scalfaro's resolve to stave off elections as soon as possible.

Minority fights Slovakia plan

By Patrick Blum in Komarno

More than 3,000 elected officials from Slovakia's Hungarian minority agreed at the weekend on a plan designed to protect and expand ethnic Hungarian rights in Slovakia.

However, they pulled back from possible confrontation with the government by dropping demands for an autonomous Hungarian province with its own parliament.

There are about 600,000 ethnic Hungarians, representing 12 per cent of the population, in Slovakia.

Local representatives who

met in a packed sports hall in the southern Slovak city of Komarno on Saturday, agreed to campaign for the establishment of a single administrative district comprising either one or three regions that would guarantee "basic freedoms and human rights" for ethnic Hungarians.

These proposals counter government plans included in a broader administrative reform that would divide the areas inhabited by ethnic Hungarians along north-south axes, which would dilute Hungarian representation at local and national level.

Sharply improved competitiveness, stemming from a 25 per cent fall in the value of the Swedish krona last year and significant improvements in productivity, has given a shot in the arm to export-oriented manufacturers. As a result, the new figures show industrial production rose in 1993 by 2.7 per cent and will grow by 8.5 per cent this year; exports are set to rise by more than 10 per cent this year after a 7.4 per cent surge in 1993, and the current account is expected to move into surplus.

Wibble sees signs of life in ailing Swedish economy Figures are starting to add up for tough-minded finance minister, writes Hugh Carnegie

Ms Anne Wibble, Sweden's finance minister, is a plain-speaking politician who has pulled few policy punches as she has battled her way through two years of economic crisis. With a deficit still of lowering proportions, she has little room to offer relief when she announces her 1994-95 budget today.

But the four Wibble demerit of the past is likely to give way to a more upbeat message. As a general election looms in September and with the economy at last showing signs of revival, the right-centre coalition is anxious to show that its market-oriented medicine is beginning to work a cure on the deepest recession Sweden has suffered since before the second world war.

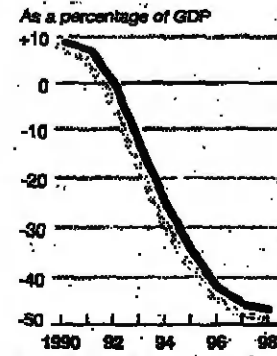
According to finance minis-

try figures leaked last week, the economy is reckoned to have shrunk by 2 per cent last year, not the near 3 per cent forecast last October. The ministry predicts gross national product growth of 2.4 per cent this year against its previous estimate of 1.9 per cent.

Sharply improved competitiveness, stemming from a 25 per cent fall in the value of the Swedish krona last year and significant improvements in productivity, has given a shot in the arm to export-oriented manufacturers. As a result, the new figures show industrial production rose in 1993 by 2.7 per cent and will grow by 8.5 per cent this year; exports are set to rise by more than 10 per cent this year after a 7.4 per cent surge in 1993, and the current account is expected to move into surplus.

Net public sector debt

As a percentage of GDP



Source: Ministry of Finance

The government can also point to other positive trends. Interest rates have fallen steadily to around 5 per cent, producing, among other effects, a dramatic improvement in the performance of

commercial banks which a year ago were brought to their knees by a spate of loan losses. Although the bank crisis has cost the taxpayer some SKr90bn (£7.3bn) in bail-out commitments, there should now be no more calls on the state coffers.

Inflation, the bugbear of the Swedish economy in the 1980s, also seems to be under control, despite the heavy devaluation of the krona. It rose by more than 4 per cent in 1993 but should be about 2.5 per cent this year and remain steady in 1995.

All this has given the government, led by Mr Carl Bildt's conservative Moderates, grounds for proclaiming that its market reform policies have laid the basis for a sustained recovery through to the end of the century. But it still faces

an uphill battle to rebuff the claim by the opposition Social Democrats that this rosy prediction ignores the deep malaise still afflicting the domestic economy.

Above all, the export-led upturn has made no impact on record levels of unemployment, which pose the biggest threat to the government. In less than four years, the proportion of the workforce on the dole or in state training schemes has risen from around 5 per cent to 14 per cent. At best, only a marginal reduction is expected this year.

Most of the output gains in the export industries are being made through improved productivity, while the domestic sector continues to be suppressed by low private consumption and the deficit-driven squeeze on public spending.

Private consumption, which accounts for 56 per cent of GNP, shrank by some 4 per cent in 1993, and is expected to show only marginal growth this year. Net investment is predicted to contract by around 7 per cent this year after a fall of 14 per cent last.

Meanwhile, unemployment costs especially have thwarted the government's efforts to control the budget deficit, which autumn forecasts predicted would reach 15 per cent of GNP in the current June-July budget year. Central government debt has shot up to more than SKr1,000bn (£81.5bn), or about 70 per cent of GNP, from about SKr600bn in 1990. Despite some hefty cuts in public spending programmes, the public sector still accounts for around 70 per cent of GNP in Sweden.

The Social Democrats, warning of a "debt trap" if there is not a speedy return to growth and a fall in unemployment costs, have called for a demand stimulus to kick-start the domestic economy. They suggest a cut in value added tax and delays in other planned tax increases.

But Mrs Wibble (who belongs to the Liberal party) has insisted there is no room for a fiscal stimulus. As much as she and Mr Bildt would dearly love to cut the tax burden, the finance minister insisted in an interview in December that curbing the deficit remains the priority, even in an election year.

Newspaper reports have warned of more cuts in welfare benefits today to help get the borrowing requirement back on a downward curve.

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US in BCCI deal with Abu Dhabi

By George Graham in Washington

The US has reached a deal with Abu Dhabi that settles some of the counterclaims on the assets of the collapsed Bank of Credit and Commerce International and gives US prosecutors access for the first time to a key BCCI executive.

Representatives of the US Justice Department, the New York district attorney and the Federal Reserve Board, as well as trustees for First American, the US bank illegally controlled by BCCI, agreed to drop a civil lawsuit against Sheikh Zayed bin Sultan, the ruler of Abu Dhabi and BCCI's majority shareholder.

They also agreed not to pursue any criminal charges against Sheikh Zayed.

The charges have provoked a diplomatic controversy, with Sheikh Zayed claiming sovereign immunity.

In exchange, Abu Dhabi agreed to give up claims on \$400m (£270m) lent to the money-lending First American, and its 28 per cent stake in the Washington-area bank, and to make available to US prosecutors Mr Swaleh Naqvi, the second-ranking manager of BCCI, who has been under house arrest pending charges in the Gulf emirate.

According to a report in the Washington Post, the \$400m recovered under the deal will be split between the US government and BCCI depositors, with some of the money used

to provide severance pay to First American employees and some to pay for the continuing civil law suits brought by First American's trustees against other defendants.

The Justice Department refused to comment on the details of the settlement, but Mr Philip Heymann, deputy attorney-general, called it a "remarkable agreement in terms of what we have succeeded in getting".

US and New York prosecutors have failed ignominiously in their efforts to pursue the fallout from BCCI's failure in 1991. Mr Robert Altman, a Washington lawyer who was accused of serving as a cat's paw for BCCI in its takeover of First American, was acquitted by a New York jury on charges of bank fraud, and similar charges against Mr Clark Clifford, the former US defence secretary, were dropped.

Prosecutors have claimed that their inability to question Mr Naqvi, the top assistant to BCCI's founder, Mr Agba Hassan Abedi, has impeded their efforts.

The United Arab Emirates has issued a formal summons to bring Mr Abedi to trial for his alleged role in the bank's failure. Renter reports from Abu Dhabi. Mr Abedi, 71 and in ill health, is believed to be living in Karachi. He and 12 other former executives of the bank he founded in 1972 face charges and civil suits worth up to \$10.5bn in Abu Dhabi.

Trade negotiators face hectic three months

Structure of the World Trade Organisation must be agreed, writes Frances Williams

Although the Uruguay Round of global trade talks formally ended on December 15, trade negotiators returning to Geneva this week after the Christmas break have a busy agenda in prospect.

In the next three months they must decide on the structure, membership and work programme of the World Trade Organisation, the body which will police fair trade rules and implement the results of the Round. Recommendations will be put to ministers when they meet in Marrakesh on April 12-15 to sign the Uruguay Round accords.

It is already accepted that

work on the link between trade and the environment will feature strongly in the work programme. But the nature of that work has yet to be agreed and big differences remain between rich nations and poorer countries who fear environmental concerns will be used as a pretext for trade protection.

Other issues jostling for the WTO's attention, such as competition policy, worker rights and currency movements, are also likely to be contentious.

Ministers will also be asked to approve transitional institutional arrangements for transforming the General Agreement on Tariffs and Trade into the WTO, which will come into

effect with the rest of the Uruguay Round by July 1995.

These arrangements, which are likely to include the setting up of an interim committee for the WTO, will mean more staff and money, but Gatt officials insist extra demands will be modest.

In addition, ministers must decide on WTO membership and, in particular, what to do about countries applying to join Gatt which want to become original members of the WTO. Of these, the most important by far is China.

Trade officials will also be using the coming weeks to complete country tariff schedules. For most countries this

will simply be a matter of formalising what has already been negotiated, but substantial talks are continuing on textiles tariffs and between the European Union and Latin American banana exporters.

Countries have until February 15, when all draft final tariff schedules must be in, to negotiate improved offers. But they cannot withdraw concessions already made unless trading partners fail to deliver their part of the bargain.

Meanwhile, the Gatt secretariat has until the end of March to check the tariff and services schedules for consistency, and tidy up the Uruguay Round texts ready for endorsement in Marrakesh.

Trade negotiators must also try to reach agreement in several areas where they failed to meet the December deadline.

The most pressing is completion of talks on a Multilateral Steel Agreement, which the US would like to tie up before April. A renewed attempt to agree a revised Gatt code on subsidies for civil aircraft is planned to conclude by the end of this year.

Talks on liberalising trade in four key services sectors will also continue this year. Negotiations on financial services will kick off later this month when the US and Japan hold talks under their bilateral

negotiating framework.

Negotiations on labour services, shipping and basic telecommunications are due to start within a month of the Marrakesh meeting. Talks on financial and labour services must conclude in 1995 but those on shipping and telecommunications will run into 1996.

Finally, just to ensure that trade officials are not left twiddling their thumbs, a new set of negotiations is already programmed for the start of the WTO in 1995. To take just one example, the Uruguay Round commits countries to initiate work on common standards for professional services, beginning with accountancy.

Scandal strikes at pinnacle of Brazil's national life

By Angus Foster in São Paulo

As if Brazil did not have enough trouble sorting out its huge economic and political problems, scandal last week hit the pinnacle of national life when Rio de Janeiro's football federation fell to pieces.

Three of the city's most famous teams, Flamengo, Fluminense and Botafogo - names which recall as many past glories as Europe's Liverpool or AC Milan - quit the Rio federation and announced plans to set

up a rival championship. "It's too late now, we can't go back," announced Botafogo's president, Mr Carlos Montenegro.

There had been rumblings of discontent from several club presidents for many months as allegations of corruption and mismanagement swirled around the Rio game. But the crisis hit in mid-December when the Rio-based newspaper, O Globo, published allegations from three referees that the Rio federation was planning to fix matches in this year's state

championship, one of the most prestigious annual competitions.

According to the referees, who repeated their allegations in hearings this week, officials from the Rio federation told a meeting of about 70 referees early in December that some results should be decided "in line with" the federation's wishes. They were told of a special "Rule 15," even though the rule book only contains 17 orders, which calls for referees to act in the federation's interests. Claiming the Rio championship

was no longer credible, the three clubs announced plans to split. They have now started talking about inviting leading teams from the states of Minas Gerais and Espírito Santo to start an "Eastern League".

All of this has left the Rio federation facing the prospect of farcical state championships in which only one of its four main teams is still involved. The federation's leaders are also being investigated by the state sports body and even the Rio legislature.

Mr Eduardo Viana, federation president, has spent the last week dashing around Rio trying to avoid the press and has refused any comment. Described even by his advisers as a "poor communicator," he was quoted recently as saying: "I hate public opinion. The people could all be shot with machine-guns for all I care."

Optimists among Rio's football fans say the current problems could lead to a long overdue professionalisation of the game, which is rife with cronyism.

Mexico City hit by four bombs as uprising spreads

By Damian Fraser in Mexico City

Four bombs exploded in Mexico City over the weekend, and a hand grenade was tossed at a government building in the Pacific resort of Acapulco, in further signs of an extension of last week's uprising in the southern state of Chiapas.

A group claiming to represent a previously active urban subversive movement, known by its Spanish initials Procup-PDLP, told news agencies it was responsible for three of the attacks. A man claiming to represent the movement told the Italian wire service Ansa that it was acting in "solidarity" with the self-described Zapatista Army of National Liberation which led the new year uprising in the southern state of Chiapas.

The Mexican government has linked the Zapatistas with Procup, and said it has found its propaganda in the Zapatista camps. Another caller, claiming to represent the Zapatistas, claimed responsibility for the first of the bombs.

There were no deaths or injuries reported, and Procup, as is its custom, appears to have chosen its targets to cause material damage. The first car bomb, early on Saturday morning, destroyed a car park and damaged nearby shops. Another bomb exploded near a military base in the dis-

trict of Naucalpan, and two others were planted next to an electricity tower in the district of Cuauhtémoc.

In Chiapas the army continued to seal off the conflict zones as soldiers hunted for the Zapatista rebels. The search is taking place in the hills around San Cristóbal de las Casas and other towns which the rebels seized earlier last week. Around 100 people have already died in the uprising, according to official figures.

The government has released the most detailed description yet of the rebel movement, which described their methods of recruitment, organisation and training. It reiterated that "this is not an indigenous movement nor is it peasants' action. It is the work of professionals manipulating the disaffected and those who have suffered from recent adverse economic conditions."

The Attorney-General's Office has concluded that of the 30 bodies found in the town of Ocosingo, four had been executed at close range. However, it said that three of them were shot with rifles not used by the Mexican army, ruling out the possibility, in its view, of army responsibility.

It said an investigation would continue to determine who was responsible. The bodies appeared to be those of Zapatista rebels.

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Japanese politician named in bribe case

Japan's former trade minister, Mr Seiroku Kajiyama, a senior figure in the once-dominant Liberal Democratic party, is the latest politician to be linked to a bid-rigging and bribery scandal, according to the daily Asahi Shimbun newspaper. Reuter reports from Tokyo.

Mr Kajiyama allegedly took ¥10m (\$60,000) from Mitsui Construction in exchange for helping it win a public works contract in his home region. Asahi, quoting government sources, said state prosecutors were tipped off about Mr Kajiyama's alleged involvement during their questioning of former regional governor Mr Fujio Takeuchi, who is on trial on charges of taking bribes from four big contractors to help them win public works contracts.

Mr Kajiyama's office allegedly contacted Mr Takeuchi, then governor of Ibaraki north of Tokyo, to urge him to select Mitsui as one of the contractors in a ¥25bn government dam project in Ibaraki.

G7 jobs summit set for March

The Group of Seven jobs summit, planned for last autumn, is expected to take place in Washington on March 14 and 15, writes David Goodhart.

The summit has been scaled down from US President Bill Clinton's idea of a gathering of prime ministers and presidents of the seven wealthiest industrialised countries. Mr Clinton himself is expected to make only a brief visit.

Nigerian budget postponed

Nigerian military ruler General Sani Abacha postponed his announcement of the country's 1994 budget on Saturday, but a senior official said the announcement would come soon. Reuter reports from Lagos. Gen Abacha, who seized power on November 17, moved his government from Lagos to Abuja on Friday, and was due to broadcast the budget from there on Saturday. But he was still holding consultations with military officers on Saturday, according to an official.

Party leader hunt in Norway

Norway's opposition Conservative party, which vigorously supports Oslo's application to join the European Union, is searching for a new leader after the weekend announcement by Mrs Kaci Kullmann Five that she will step down in April, writes Hugh Carnegie from Stockholm.



A distressed child is carried by his father from the bush fires surrounding their North Shore home, about 15km from central Sydney

SYDNEY HOPES FOR RAIN AS FIRES RACE INTO SUBURBS

Cooler weather late yesterday offered some hope that Sydney might soon win its four-day battle against fires which have destroyed more than 150 homes and killed four people. Reuter reports from Sydney.

But weather forecasters said Sydney would not see rain until Wednesday or Thursday. "Until we get rain, the situation remains on a knife edge," said

Richard Whitaker, a meteorologist. Firefighters were last night planning a massive, and risky, control burning along a 50km line in the Blue Mountains west of Sydney. In an effort to contain Australia's worst fire crisis in 200 years, but as night fell, wind shifts saw hundreds more residents evacuated from southern and northern suburbs.

On the edge of the Royal National Park, firemen evacuated more residents as a huge fire raced towards the outlying southern suburb of Waterfall. Helicopters were also water-bombing flames at the semi-rural Oxford Falls in Sydney's north, while nearly 300 elderly people were evacuated in Belrose after fires broke out in the surrounding Garigal National Park.

However, the blaze in the Ku-ring-gai Chase National Park, which had threatened several suburbs, was slowing, and in Sydney's southern suburb of Jannell and Como fires were suppressed but not contained, firemen said. About 7,500 firemen, backed by military units, are fighting 120 fires across New South Wales. Many of the fires have been lit by arsonists.

Palestinian peace support slips

By Julian O'Connell in Jerusalem

Israel's military officer in charge of the occupied West Bank and Gaza Strip yesterday gave the cabinet a grave assessment of disintegrating Palestinian support for the peace agreement and deteriorating economic conditions in the territories.

Major-General Danny Rothchild told the government that Palestinian opposition to the peace accord was growing daily with the delay in implementing the agreement and the worsening economic situation. At the same time, Palestinian sources reported that three more members of the main Fatah faction of the Palestine

Liberation Organisation had resigned their committee posts in protest at the way the PLO was being run.

Gen Rothchild's warning came hours before Israeli and Palestinian negotiators were due to resume peace talks in the Egyptian Red Sea resort of Taba. Both sides differed widely yesterday about how long it would take to agree an Israeli troop withdrawal from Gaza and the West Bank area of Jericho.

Mr Nabil Sheath, chief Palestinian negotiator, said he believed the two sides could reach agreement within three weeks. However, Mr Yossi Sarid, Israeli minister of the environment, said after yesterday's cabinet meeting he thought the talks could last six to eight weeks.

"We are happy the Taba talks are resuming but we hope the Palestinians will understand this time that time is critical and we won't make concessions on security," Mr Sarid said.

Implementation of the accord has already been delayed four weeks as the two sides failed to reach agreement on three outstanding issues: control over borders, the size of the Jericho area and security for Jewish settlers who will continue to live in Gaza-Jericho.

Mr Sheath said over the weekend the two sides had reached broad agreement on many issues such as the schedule of Israeli troop withdrawal; the composition, size and deployment of the Palestinian police force; and the security co-ordination for borders and roads. The remaining issues, he said, could be settled in a similar process of compromise.

Meanwhile, B'Tselem, Israel's leading human rights organisation, yesterday slammed both the government and the PLO for civil rights abuses in Gaza. It criticised the government for recruiting up to 5,000 Arab collaborators in contravention of international law. It also accused the PLO of supporting groups that had tortured and executed up to 950 Arab collaborators in six years.

Malaysian hard line on foreigners

Malaysia has launched a crackdown against an estimated 250,000 foreigners who are working illegally in the country, writes Kieran Cooke from Kuala Lumpur.

Dr Mahathir Mohamad, prime minister, said the government would ban recruitment of unskilled and semi-skilled foreign workers until the problem of the illegal immigrants had been sorted out.

The rapid growth of Malaysia's economy in recent years has reduced the unemployment rate to less than 3 per cent and led to serious labour shortages in many sectors. The government says there are 1m foreign workers - one in eight of the labour force - in Malaysia.

Burma's main rebel group to seek peace

The largest remaining guerrilla group in Burma has decided to hold separate peace talks with the government in response to mounting pressure from its traditional backers, Thailand, and a sharp build-up in Burmese armed forces.

The ethnically based Karen National Union (KNU) will tell its colleagues in the anti-government Democratic Alliance of Burma (DAB) of its intention to hold talks with the government at a crisis meeting today in the Karen's jungle headquarters in Manerplaw.

Up until now the Karen has insisted it will only talk to the Rangoon regime as part of a comprehensive political settlement with the DAB - an umbrella organisation of students, exiles and ethnic minorities which the KNU has traditionally dominated.

But Dr Em Marta, head of the KNU's foreign affairs department, said in Manerplaw: "We're in a very tight spot. I don't think any one party on its own could resist the pressure to negotiate."

The president of the KNU, and its military leader, General Bo Mya, said that if the KNU refused to go into the negotiating room alone warfare was likely to break out with renewed vigour, with more than 30 Burmese battalions in place around Manerplaw.

"We want peace but Siorc [State Law and Order Restoration Council] is preparing for war. Every day they are preparing positions around us. I think if we do not play their game then they will start the offensive," said Gen Bo Mya.

A Karen peace move would be a victory for the government's policy of picking off its opponents one by one with separate ceasefire deals: a process which began in 1989 with the collapse of the Burmese Communist party. When China closed the border, the communist remnant was forced to ask Rangoon for food and medicine in exchange for a peace agreement.

Late in 1993 the Kachin Independence Army, Burma's biggest guerrilla group, was also forced into a ceasefire, under pressure from China, to the bitter disappointment of the Karen.

The Burmese army has doubled in size in recent years, receiving over \$1bn-worth of arms from China, and is now preparing to swing its full force against the Karen's estimated 6,000 soldiers (the Karen themselves claim 20,000, including part-timers). Apart from the Karen only a few Mon and Karen guerrillas and students-turned-fighters remain actively hostile to Rangoon.

The Karen have fought the Rangoon authorities since

William Barnes reports on why the Karen must drop out of the fighting

Burma won independence from Britain in 1948 and a commitment to allow minorities to decide their own political future was discarded. They support a federal state, rather than rule from Rangoon, which has historically only sporadically extended beyond the central plain. The Karen now live along the eastern border near Thailand.

Thailand has traditionally welcomed the KNU's resistance to the Burmese government, seeing the group as providing a buffer zone between itself and the unstable and occasionally expansionist Burmese government. But times have changed. And the market imperative of restoring normal relations with its neighbour, as well as ASEAN's policy of constructive engagement has seen Thailand withdraw its backing for the KNU in recent months.

Thailand, like China, is now eager to do business with the widely-reviled regime, which has been condemned by the United Nations for murdering many of its civilian population and for ignoring a 1989 general election which saw overwhelming support for a democratic opposition party.

The Thai's are also worried that if fighting escalates thousands more civilians could pour over the border to join more than 70,000 refugees from Burma.

This shift in position has seen an end to not only Thailand's own provision of weapons and ammunition, but also the end of its blind eye to the involvement of Thai brokers in the buying and selling of arms between Cambodia and the KNU. The insurgency would quickly collapse if ammunition supplies were cut off.

To drive the point home Thailand has refused to allow key members of Burma's Manerplaw-based government-in-exile, including the prime minister, Mr Sein Win, to pass through Thai territory after a visit to Washington.

Few of the regime's critics believe the current ceasefires will lead to lasting peace. The government is taking the opportunity to put a new constitution in place, to be nominally agreed by a convention of hand-picked delegates which has met sporadically for the last year. It is expected to formalise the role of the military in government.

France wins \$2bn Saudi arms deals

By John Riddling in Paris

France and Saudi Arabia have agreed to establish a joint committee to discuss commercial co-operation and finalise industrial and armaments contracts worth an estimated \$2bn (\$1.34bn), after a visit to Riyadh by Mr Edouard Balladur, the French prime minister.

French officials said the two-day visit, which ended yesterday, had resulted in

provisional agreements to upgrade four missile-launching frigates and maintain Saudi Arabia's Shakhine anti-aircraft defence system and Crotale missile system. The accords could be concluded in the next few weeks, said one French official.

But the French delegation, which included Mr Francois Léotard, defence minister, Mr Alain Juppé, foreign minister, and Mr Gérard Longuet, industry minister, failed to reach agreement on a con-

tract for three new missile-launching frigates valued at more than \$3bn. French hopes for an agreement on civil aviation made progress, without reaching a final agreement. Mr Balladur's delegation was attempting to encourage Saudi purchases of Airbus aircraft which are manufactured by a European consortium, including Aérospatiale. The consortium is in competition with Boeing of the US to provide airliners to renew the Saudi fleet.

INTERNATIONAL PRESS REVIEW

FRANCE

"A power is born", declared Le Monde on the launching of an independent Bank of France last week. "It is a landmark in French finance", proclaimed L'Agefi, the business daily.

Le Nouvel Economiste, the influential weekly, even designated the nine members of the new monetary policy council, appointed last week, as "the guardians of the franc".

But there were dissenting voices from the broad consensus on the importance of the event. "The real significance is without doubt less than is claimed" said Le Quotidien de Paris, the right-wing daily, in an editorial. Most of the council's powers would be superseded by the European central bank, the paper argued. And until then, the absence of powerful representatives from industry and agriculture was a real limitation. "The sages risk being a little disconnected from economic life."

Most of the media, however, applauded the selection of the six lay members who will sit alongside Mr Trichet, the governor of the central bank and his two deputies. "A council of strong personalities" was the description offered by La Tribune Desaffaires, the financial daily.

Like most of its counterparts, the paper argued that the council represented a welcome diversity, with members drawn from journalism to insurance. It was also a pro-European council, unlikely to rock the boat by changing course from the government's cautious and relatively tight monetary policy. Some concerns were voiced about the granting of control over monetary policy to a non-elected body. But, as

Liberation, the liberal daily, concluded, the reform was above all pragmatic. Paraphrasing Deng Xiaoping, the Chinese leader, it asked: "What does it matter if the cat is grey or black, as long as it catches the mouse?"

ITALY

Italian papers have had a bonanza since the new year reporting the chaos in pharmacies following the introduction of complex new rules on drugs sales.

The strong human interest element of a rule change which has seen sick patients queuing outside chemists' shops only to be turned away because they lack a prescription has even knocked the political corruption scandal out of the papers for a few days.

Both La Repubblica, the best selling daily, and Corriere della Sera, of Milan, carried interviews with Mrs Maria Pia Garavaglia, health minister, in which she made a spirited defence of the reforms, aimed at reducing over-prescription and saving money on Italy's huge annual drugs bill. In particular, she criticised the media for exaggerating the impact and inconvenience of the new rules.

Her accusations did not, however, curb the space devoted by the newspapers to the grievances aired by pharmacists, doctors and representatives of big drugs companies.

The result was a virtual free-for-all, in which each group threw mud at the other, and they all threw mud at the Health Ministry. If Sole 24 Ore, Italy's leading business newspaper, gave ample space to industry spokesmen castigating the government for its ineptitude and issuing dire warnings about the

consequences of the reforms for drugs companies.

But in the more popular press, the human interest angle, focused on the need for January 1 for prescriptions for many medicines that could previously be bought without a doctor's authorisation, eclipsed the industrial story. Most papers focused on horrific tales of haemophiliacs or Aids-sufferers turned away from chemists' shops because their medications were no longer available without a prescription.

Again and again, their plight was confused with the simultaneous reform of the free medicine list. As a result, stories also abounded of patients seeking familiar drugs, previously sold at the token price of L5,000 (£2), at their full retail value.

MEXICO

The ability of the Mexican government to control the press was tested to the limit last week, as armed rebels in the southern state of Chiapas took over several towns and attacked soldiers in their barracks.

In the first days of the uprising, the newspapers were filled with images of the uprising, interviews with guerrillas, eyewitness accounts of army bombings of supposed guerrilla strongholds, and descriptions of the deaths of rebels and civilians in shoot-outs.

But by mid-week the government seemed to have had enough of the battle-line descriptions, and the army cut off main routes to the conflict areas. From then on the news was dominated by government press releases and pronouncements by political leaders.

On Thursday most papers

led with the government's terms for peace: a demand for unconditional surrender; on Friday with President Salinas's promise to consider pardoning Indians who co-operated with the government; and on Saturday with the interior minister's reiteration that rebels were violent extremists who manipulated Indians to join them.

Developments in the conflict, the number of rebels, their long-term threat to national security, and army tactics in restoring order were generally given less importance.

Editorials, with some exceptions, took the government line. Excelsior, the establishment newspaper, even concluded, in language remarkably similar to the government press release, that the rebels were "run by true professionals of violence that only exploit the conditions of poverty of the Indians and use them to damage Mexico. Their objectives, above all, are far from the demands and interests of the community".

However, more independent newspapers such as La Jornada and El Universal called on the army to respect the human rights of Indians when putting down the rebellion. Carlos Fuentes, the novelist, said in La Jornada that the uprising was provoked by the misery in which most of Mexico's Indians lived. "The Mexican political and economic system, unjust and anti-democratic, is co-responsible for the explosion," he concluded.

PAKISTAN

Last week's fight among members of the Bhutto family, on the anniversary of the birth of Mr Zulfikar al Bhutto, the late prime minister, triggered speculation in Pakistan's press about the government's future.

amid almost united condemnation of the scrapping.

The killing of a civilian in police firing outside al-Murtaza, the family's ancestral home, in the southern city of Larkana, and the subsequent vitriolic accusations by Mrs Nusrat Bhutto against her daughter, Prime Minister Benazir Bhutto, received front page coverage in local papers. But the national dailies ran editorials urging the two sides to resolve their differences. "If this situation continues unchanged, the government will face such a great damage which even its worst enemies have not been able to inflict so far," said Jang, the best-selling Urdu daily.

"The family feud has now assumed alarming proportions, and even if it does not pose a serious threat to Benazir Bhutto's political authority, it is bound to distract her emotionally from her job as the country's prime minister", said the opposition-supported The Nation.

The largest circulation English-language newspaper, Dawn, warned that "a leadership crisis of this magnitude cannot remain confined" to the ranks of the ruling PPP (Pakistan People's party). It was bound to have wide-ranging political and administrative repercussions, the paper said.

But it was left to The Muslim of Islamabad to point to the irony that "the last nail in the coffin of party unity may have been hammered over the founder's grave site".

Reports from John Riddling, Haig Simonian, Damian Fraser and Farhan Bokhari

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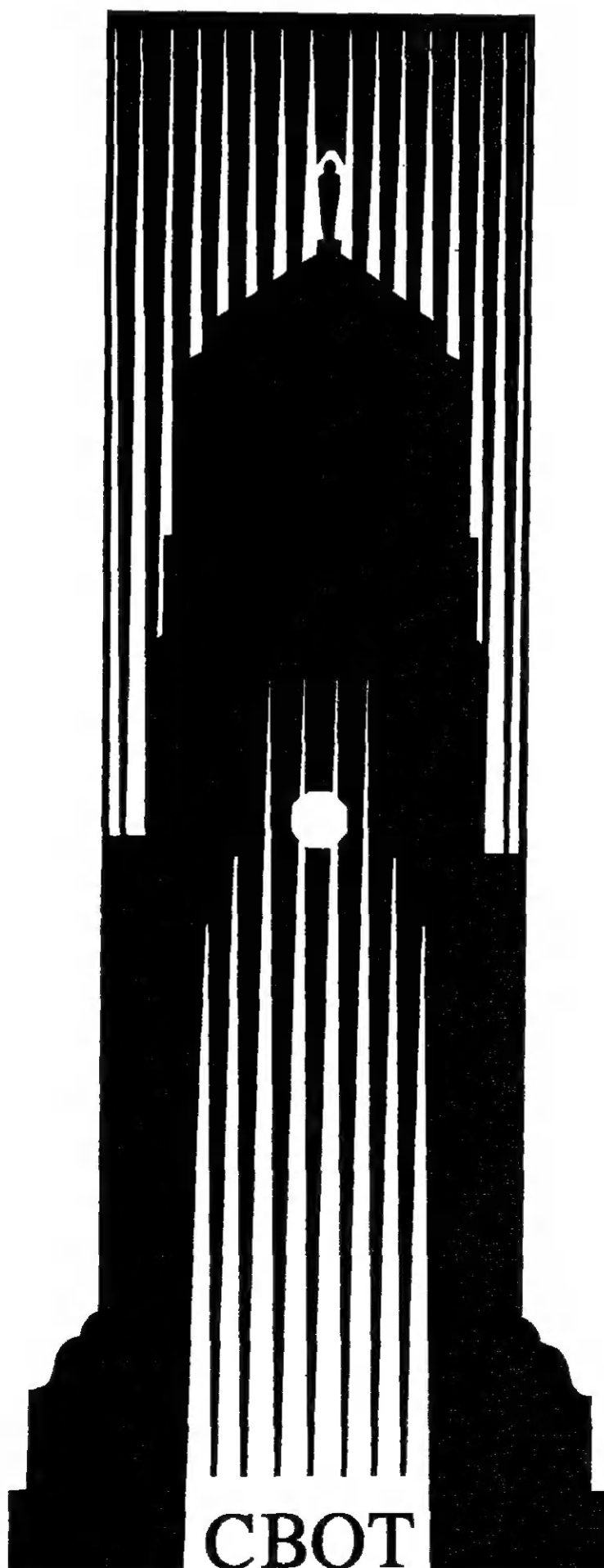
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NEWS: UK

Sinn Féin toughens stance over Ulster

By Kevin Brown,
Political Correspondent

The prospects for peace in Northern Ireland appeared to be receding yesterday after Sinn Féin toughened its terms and Mr John Major, prime minister, again refused republican demands for "clarification".

In a toughly worded interview Mr Gerry Adams, Sinn Féin president, ruled out a unilateral veto on constitutional change, and demanded British action to "persuade" unionists to accept Irish unity.

Mr Adams told the Observer that

"the unionists will not move, and we cannot expect them to move, until the British persuade them to. They have no right of a veto over any policy."

His comments suggest a hardening of the Sinn Féin response to the Anglo-Irish joint declaration on Northern Ireland, which gives the unionists an explicit veto on constitutional change.

However, Mr Adams also acknowledged that a united Ireland could not be achieved without the participation of the unionist majority in Northern Ireland. "We can't move without them," he said.

In a separate statement issued in Belfast, Mr Adams repeated demands for "clarification" of the joint declaration, which offers Sinn Féin a place at the negotiating table within three months of a permanent IRA ceasefire.

The statement said Mr Major's refusal to clarify the declaration was "an abdication of his responsibilities and a clear indication that he has no real commitment to building the peace process".

It said Sinn Féin was prepared to "assist" Mr Major to bring about peace. "The sooner he stops play-acting and stringing this out, the sooner

we can all move towards an end to conflict and towards a new beginning."

Downing Street said a letter setting out Sinn Féin's request for clarification had not been received. But Mr Major made clear that no clarification of the agreement would be offered.

Mr Major told Sir David Frost on BBC television that he was prepared to wait "for a little while" for a definitive republican response to the joint declaration.

But he said the government would not be "drawn into negotiations by the back door" by responding to questions from Sinn Féin in

advance of a permanent IRA ceasefire.

"What at present is going on is that they are seeking to muddy [the] issue, to enter into negotiations effectively without giving up violence," he said.

Mr Major said the three-stranded talks process between London, Dublin and Belfast, which began in 1992, would be intensified whatever Sinn Féin's response to the joint declaration.

Mr Major is expected to meet Mr John Hume, leader of the moderate nationalist SDLP, although no date has yet been set.

Britain in brief



Public sector pay 'to rise' despite freeze

Most UK public sector workers could get pay rises in 1994-1995 of between 1 and 3 per cent despite the government's public sector pay bill freeze.

An informal Financial Times survey of senior public sector managers found most confident that they could offer a pay rise at or above the rate of inflation through efficiency savings and job shedding.

This is true in local government, where a pay rise of 2 to 3 per cent is being pencilled in, and the civil service, where around 2 per cent is expected.

The government announced in September a pay bill freeze for 1994-1995. The November budget extended this to 1997. The freeze does not mean that the 5m public sector workers will get no pay rise, but that any increase must be paid for by improved productivity or reduced staff.

Optimism on oil prices

Oil prices will recover to about \$18 a barrel by the end of the year from \$14 in the first three months and provide a boost for the sector, according to NatWest Securities.

The securities company's oil and gas research team, one of the most respected in the sector, believes the recovery will come even if Oman fails to persuade a group of countries not affiliated to the Organisation of Petroleum Exporting Countries to cut output.

It says the recent squeeze in the oil market will ease in the second half of the year as demand for Opec oil is aided by the recovery of economies. A slow-down in North Sea production will also help.

NatWest believes the recovery

ery would be sooner if Oman's initiative persuaded Opec to bring forward its scheduled March 25 meeting to early next month.

Holiday price war continues

The holiday price war among UK travel agents enters its third week today in spite of industry expectations that it would end last Saturday.

The two largest chains say they intend to continue offering discounts of 11 per cent. Lunn Poly, the largest retail chain, said the 11 per cent discounts would apply to all summer 1994 holidays. The chain would also offer reductions of up to £200 on winter holidays. Going Places, the second largest chain, said it would match Lunn Poly's discounts.

Boost for property market

The scale of the recovery in the commercial property market was underlined yesterday by figures showing returns from property of 18.6 per cent in 1993, compared with an average of 10.2 per cent.

These estimates, by Richard Ellis, a firm of chartered surveyors, reveal a sharp improvement on the previous year when commercial property made negative returns of 3.1 per cent. The office sector made the greatest improvement, moving from a 1992 return of -5.4 per cent to just under 20 per cent.

Floods 'could cost £100m'

The damage resulting from flooding across southern England could cost up to £100m, a firm of loss assessors said yesterday as the south and other areas prepared for rain throughout the week.

Mr Justin Balcombe, of loss assessors Balcombe Group, said the total cost of the flood damage greatly exceeded the costs covered by insurance. The Association of British Insurers has estimated claims at between £20m and £50m.

Consumer and business credit figures advance

By Daniel Green

UK consumer and business credit leapt ahead in November in spite of the uncertainty generated by the Budget, figures from two credit monitoring organisations indicate today.

Yet the rise may not feed straight through to rising consumer spending because credit is increasingly being used as a substitute for cash, warns one of them, the Finance and Leasing Association.

Total consumer credit in November increased by 35 per cent to £11.7bn compared with the corresponding month a year previously, says the association, the industry's main trade body.

The jump is the highest since the recession began and an increase of 8 per cent on October. Total business credit rose by 25 per cent on November 1992 to £911m.

In the three months to November, consumer credit rose by 30 per cent and business credit by 28 per cent compared with the same period a year earlier.

Within the total consumer figure, the sharpest rise was seen in the motor sector,

reflecting a rise in car sales from the depressed levels of 1992.

Credit to consumers buying new cars through dealers in November rose 66 per cent to £333m, compared with the same month in 1992. For used cars the rise was 29 per cent. Both figures were slightly lower than for October.

Business finance for cars gained 69 per cent to £485m in November compared with the corresponding month in 1992, although this was a 14 per cent decline on the month before.

In consumer goods, the figures suggest a sharp rise in buying of expensive items such as refrigerators and televisions. Store instalment credit rose 80 per cent to £106m, a much sharper rise than for store cards used for both cheap and expensive goods where the gain was 15 per cent to £220m.

The rising value of items bought is also reflected in figures from Infolink, the organisation which measures the number of credit inquiries rather than the total amount borrowed. Credit inquiries at finance houses, which typically offer larger loans on expensive items, were up 9.1 per cent.

Video games still score in toy war

By Ian Hamilton Fazey

The market for toys in the UK grew last year by at least 15 per cent to £1.87bn, according to latest industry estimates released yesterday at the Harrogate International Toy Fair.

Video games are now put at 40 per cent of the total, with sales growth more than trebled in two years and contributing the main driving force in expanding the total toy market by 78 per cent since 1991.

However, industry leaders now believe sales of video games are slowing as the market for the hardware they are played on matures - and as parents rebel against the solitary or two-players-only nature of the games. Video games sales for 1993 are none the less expected to top £750,000, compared with under £240,000 in 1991 but about £650,000 in 1992.

"Activity" toys, such as snooker or darts, are second in popularity, with likely sales of £244,000 last year, or 13 per cent of the market. Games and puzzles came third at £174,000, or 9.3 per cent.

"Board games have come back very rapidly in 1993," Mr Graham Scott, who organises the Harrogate Fair for the industry, said yesterday. "They lost out for while, but video games cannot be played by whole families. Board games can - and appear to have done well this Christmas."

Dolls and their accessories continue to hold a strong

fourth place with near-50 per cent rise in sales over two years. A rapidly developing segment, however, is "plush", a cheap, synthetic fur which is enabling teddy bears and other cuddly toys to get bigger and bigger.

Plush product sales are growing thanks to cheap labour in China, where high-quality, mass-produced plush from Taiwan or South Korea is being turned into teddies by the million. Prices of plush bears range from £1.99 to £50.

"It means you can now have ranges of bears, with limited editions and a wide choice of options on size to make them more collectible," Mr Les Vargerson, managing director of Agents Marketing of Market Harborough, said.

He is the UK agent for Althaus, which although based near Coburg, in Germany, has more than 500 employees in Hong Kong and China. It is now one of Europe's leading specialists in Asian-made plush toys.

The Harrogate fair - which finishes on Wednesday - kicks off 1994's worldwide toy industry round of trade shows. It usually attracts about 8,000 potential buyers, importers and exporters.

London, at the end of this month, followed rapidly by Nuremberg, Paris, Milan, Valencia, Montreal and New York, will decide what happens next Christmas, when 70 per cent of toys are bought.



Traditional toys and cartoons side by side at the Harrogate show

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The project is being funded by the Government of the Republic of Trinidad and Tobago, the Inter-American Development Bank (IDB), the European Investment Bank (EIB), the Export-Import Bank of Japan (EXIMB) and the Commonwealth Development Corporation (CDC). The handling for these works is provided by the IDB, EXIMB and CDC. TRINOC is the executing agent for the Project. Procurement of goods and/or contracting of services covered by project financing shall be subject to provisions of the loan contract with the Bank.

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C. ELECTRICAL/INSTRUMENTATION CONSTRUCTION WORKS FOR

i) Construction of new, and repairs/modification of existing, pumping systems, oil skimmers and other pollution control facilities.

ii) Construction of new, and repairs to existing, pipeline systems.

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P.O. Box 1000, Port of Spain

Republic of Trinidad and Tobago

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Fax No. (809) 656-1315

CLOSING DATE

Completed Prequalification Proposals must be submitted no later than 11.45 a.m. local time on 1994 March 08.

TRINOC will not defray the costs incurred by any company submitting its application and shall not discuss or divulge any details of the selection process to applicants.

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THE WEEK AHEAD

DIVIDEND & INTEREST PAYMENTS

TODAY

Apollo Metals Cnv. Red. Prt.
4p
Business Post 1.2p
Cape 3p
Cleveland Place 6% Red. Deb.
89/94 £1.430136
Do. 10½% Red. Deb. 90/95
£2.934246
Exporters 10% Nts. '96
\$500
Estates & Agency 9p
European Colour 0.35p
Japan Air. 6.9% Bds. '01
Y690000
Kobe Steel 6.9% Bds. '01
Y690000
Do. FRN's '96 Y67500
Kubota 6.9% Bds. 2000
Y680000
Lothbury Fdg. No. 1 Class A1
Mtg. Bkd. FRN's 2031
£1715.62
Do. Class A2 Mtg. Bkd. FRN's
2031 £1770.96 £1770.96
Do. Class B Mtg. Bkd. FRN's
2031 £1992.33
Mansfield Brewery 1.25p
Metropolitan Est. & Prop. Intl.
NV Gld. FRN's '95 Y177604
Morris (Philip) \$0.65
Onoda Cement 7% Bds. '99
Y700000
Oriel 2p
Pacific Gas & Elect. 12½
Debs. '92/2000 £120
Parkland Textile 2p
Do. A NV 2p
Peoples Construction Bk.
China FRN's '98 \$205.56
Do. FRN's 2000 \$210.69
Policy Portfolio 1.5p
Rolle-Royce 2p
Scottish Value Tst. 0.95p
Skandia Cap. AB Gld. FRN's
'95 \$831.42
Takashimaya 5.6% Bds. '01
Y560000
TR Property Inv. Tst. 0.4p
Vibroplant 1.22p
Warburg (SG) Cap. BV FRN's
'08 \$187.29

TOMORROW

Warner Howard 2.27p
Diploma 8.5p
European Motor 1.725p
Fluor Corp. \$0.13
Henderson Admin. 12.5p
Leo 1 Class B Mtg. Bkd.
FRN's '35 £2147.26
MMT Computing 2.75p
VTECH Hldgs. (London Reg.)
\$0.01
Do. (Bermuda Reg.) \$0.01
Wellcome 12.5p

WEDNESDAY

JANUARY 12
Caisse française de Davi.
12½% Gld. Ln. '13 £306.25
Clyde Blowers 9p
Collateralised Mkt. Secs. No.
11 Class B Mtg. Bkd. FRN's
'28 £196.92
Conv. 9% Ln. '11 £4.5
Do. 9½% Ln. 2001 £4.75
CSR ASO.12
F & C Emerging Mkts. Inv. Tst.
0.27p
Hewlett-Packard \$0.25
MBE Finance NV Sers. B Gld.
Dual Basis Bds. 2002 \$201.89
Nissio Iwai 3.9% Bds. '98
Y101833
Property Partnerships 2.6p
Safeland 0.6p
Sims Food 2p
Standard Chart. Und. Prim.
Cap. FRN's \$183.09
Do. Und. Prim. Cap. FRN's
Sers. 4 \$186.56

THURSDAY

JANUARY 13
Bradford & Bingley Bldg. Soc.
FRN's '97 £150.1
Do. FRN's 1998 £151.23
Commonwealth Bk Australia
Und. FRN's \$186.56
Gleason (M) 9.4p
Highland Distilleries 5p
Hongkong & Shanghai Bkg.
Prim. Cap. Und. FRN's \$44.72

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CONFERENCES & EXHIBITIONS

JANUARY & MARCH
London School of Economics
A series of evening seminars on
Contemporary Britain, 10 sessions
starting on 12 January 1994 and
Contemporary Europe, 12 sessions
starting on 3 March 1994. Designed
primarily for journalists and diplomats
these seminars will be of interest to others
who wish to improve their understanding
of British and European politics,
economics and society.
Further details are available from:
The London School of Economics,
Short Course Office, Houghton Street,
London WC2A 2AE.
Tel: 071-855 7227 Fax: 071-855 7676

JANUARY, FEBRUARY & MARCH
The Securities Institute will be running a
series of one and two day practical courses
introducing to Futures & Options 24th, 25th
Jan & 21st, 22nd Feb; Introduction to
Financial Mathematics 2nd Feb; Introduction
to Technical Analysis 3rd Feb; Introduction to
Swaps 17th, 18th Feb; Advanced Swaps 17th,
18th March.
Contact: Sally-Anne Bevan,
Securities Institute
Tel: 071-426 3832 Fax: 071-426 3802

JANUARY 14
Business Government and
Parliament Seminar
A full-day conference examining the key
relationships between business,
government and parliament. The seminar
is designed for a business audience.
Speakers include: Government Minister
Iain Goss, Lord Privy Seal Sir John
Browne, Lord Chancellor Lord Goff,
Chief of the Civil Service Sir Peter
Mann, and others. For details call
Deirdre Griffith at the Institute and
Parliament Trust on:
Tel: 071-976 5311 Fax: 071-976 7776

JANUARY 18-19
Practical Documentary Credits
Trade finance training for financial
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exercises and discussion on Doc. credits,
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For managers of departments or
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JANUARY 24 & 25
Technical Analysis - A
Practical Approach for Traders
An extensive seminar with workshops
covering the most important elements of
these essential techniques. Course
material applicable to all major financial
markets.
Contact: Tony Webb, AWCT
Tel: 0793 825603

JANUARY 24-26 1994
Business Process
Re-engineering Seminar
Continuing series of monthly seminars for
executives and managers charged with
designing and implementing BPR
initiatives. Presented by a leading US
practitioner, we offer a practical "how-to-
do-it" perspective in an intensive
residential setting.
Contact: Richard Parks, Vertical Systems
Institute Ltd, Tel: 44-155-250264
Fax: 44-155-250261

JANUARY 25
Expanding Shareholder Value - The
Vital Role of Investor Relations
Expanding shareholder value should be
the governing objective for any
company's business strategy.
At this one-day conference, expert
speakers will share the latest thinking and
research and explore implications for both
corporate and investment management.
Contact: Jo Mainwaring, The Strategic
Planning Society
Tel: 071 435 7737 Fax: 071 323 1892

JANUARY 25-26
Introduction to Risk
Management
Training course covering derivative
markets, Currency Options, SAFES,
FRAs, Futures, Interest rate swaps and
related products. For Corporate
Treasury, bank dealers and marketing
executives, financial controllers, systems
and support personnel. L881 + V.A.T.
Lyndon David International Ltd.
Tel: 0959 565020 Fax: 0959 565821

JANUARY 28 1994
Managing New Product
Development for Business
Turnaround
A conference organised by the Design
Museum in the London Business School.
This one-day conference will focus on the
role of design and new product
development within organisational
structure. Aimed at senior managers in
small and medium enterprises.
Phone The Design Museum on
071 403 8933 Fax 071 378 6540
For further details.

JANUARY 28
Understanding Parliament
Seminar
A full-day conference examining the key
relationships between business and
government institutions and their
relationship with industry. The seminar is
designed for a business audience. Speakers
include the Rt Hon the Viscount
Tousend, Lord Privy Seal Sir John
Browne, Government Minister
Gwyn Jones MP, Chairman of Welsh
Affairs Select Committee: Gareth Wansell
MP. For details call Deirdre Griffith at the
Institute and Parliament Trust on:
Tel: 071 976 5311 Fax: 071 976 7776

CARDIFF

JANUARY 30 -
FEBRUARY 1
Expatriate Tax Training for HR
Professionals
Managing Expatriates? Improve your
efficiency and cost-effectiveness. Training
by Ernst & Young, advisers to the world's
largest multi-national companies. Limited
availability.
Contact: Sue Griffiths, Ernst & Young
Tel: 071 931 2618

JANUARY 31 - FEBRUARY 2
The London Virtual Reality
Expo 1994
McKermedia's fourth international
virtual reality exhibition and conference -
focusing on the practical applications of
virtual reality within commercial, cultural
and research communities.
Venue: Novotel, London, Hammarstrand.
Contact: Sheila Filmer or Pamela Burton
Tel: 071 976 0495 Fax: 071 976 0506
McKermedia, Artillery House,
Artillery Row, London SW1P 1RT

FEBRUARY -
DECEMBER 1994
The Cable Television
Association 1994 Series
Seven one-day conferences on practical
management and operational issues in the
UK cable TV and telecoms industry. First
two: FEBRUARY 17: MARKETING: To
build the Business. April 21: TELECOM:
Guiding Market Share.
For full details on these plus whole series
call Sarah Twiss on 071 734 6143

FEBRUARY 7
Resource Management in the
Public Sector
This conference will provide a practical
forum to review the opportunities for
selling services to the public sector and
examine how a successful and enduring
partnership can be built between the
public and private sectors to the advantage
of both.
Enquiries: Financial Times
Tel: 071 814 9770
Fax: 071 873 3975/3969

FEBRUARY 8
Independent Energy in Europe
Analysing key demand factors and
opportunities for energy supply.
Examining the European Energy Charter,
financing and investment strategies,
legislation and technology choices, DSM
and opportunities in Eastern Europe.
Speakers from the World Energy Council,
EC Commission, Caminus Energy, British
Gas, Ewbank Preco, Morgan Grenfell,
Ashurst Morris.
Contact: James Ollis, ICOM Conferences
Tel: 0226 299072

FEBRUARY 8
Profiting from Risk
A one day conference tackling the
principles and practices of financial risk.
Topics cover the dynamics of exposure
management from credit risk, through
hedging and insurance, to the competitive
advantage of better risk management and
the logistics of an IT solution.
The Show:
STI Conference Division
Contact: 071-417 7404/9677

LONDON

FEBRUARY 8
Improving the value of I.T.
Investments
This conference presents practical
solutions to the problems of evaluating the
impact of I.T. on business
performance. Senior executives, along
with leading academics and consultants
present workable methods for measuring
the business benefits of I.T.
Contact: Business Intelligence
Tel: 081-544 1830 Fax: 081-544 9020

FEBRUARY 8-10
Intelligent Financial &
Business Systems
Applying Genetic Algorithms, Neural
Networks, Fuzzy Logic and Chaos
Theory. 3 day conference plus 1 day
tutorial seminar development in leading
companies and explains the underlying
computing techniques used to gain
competitive advantage.
Contact: Nigel Chubb, IBC Technical
Services Ltd Tel: 071 437 4365
Fax: 071 431 3214

FEBRUARY 9
How to Plan and Manage a
Small, Rapidly Growing
Company
This one-day seminar will give practical
advice, techniques and methods for
strategic planning, managing growth and
setting future goals for small, rapidly
growing companies.
Enquiries: Director Conferences
071 730 0022

FEBRUARY 11
Financing For Growth
Businesses which have survived the
recession must now consider both their
short and long term financial strategies.
This conference will analyse the steps
necessary for gaining competitive edge in
the post-recession market.
For further details contact Acquisitions
Monthly Tel: 071 823 8740
Fax: 071 381 4331

FEBRUARY 14 1994
The Foreign Exchange Market:
Who's In Control?
The conference will focus on the
repercussions of the turmoil seen in the
foreign exchange markets over the last
eighteen months: the pressure for tighter
supervision; the impact on the future of
the ERM and the role played by
derivatives in the crisis.
Contact: Alison Elgar,
Dow Jones Telecast
Tel: 071 832 9532
Fax: 071 353 2791

FEBRUARY 14-15
Preparing for Change
This concise overview examines
successful strategies for managing the
change to a truly high performance
organisation and explores a framework
and methodology to implement
continuous improvement and innovation.
Contact: Mike Herr,
Tennessee Associates Ltd.
Tel: (0953) 883633
Fax: (0953) 882733

LONDON

FEBRUARY 15&16
Cable and Satellite
Broadcasting
The 1994 event will concentrate on
international competition in media
markets, changing technology and the
implications of the digital and
compression revolution as well as
commercial programming and new
entertainment channels.
Contact: Business Intelligence
Tel: 071 814 9770
Fax: 071 873 3975/3969

FEBRUARY 16
UK Radio: The Challenges
Ahead
In-depth conference on critical issues
facing UK radio industry and how to
create strategies for success. Free-
wheeling panels on the BBC vs
commercial radio, investment, advertising
initiatives and programme formats.
Contact: Patricia Baynton, Kagan World
Media Limited
Tel: 071 371 8680 Fax: 071 371 8716

FEBRUARY 17-18
Constraints on Growth in
Brazil: Economy, Society and
Institutions
Keynote speech Thursday 17 February by
Paulo Medford, former Minister of
Finance. Conference full day Friday 18
February. Speakers from Brazil and UK
on the effects of domestic and
international economic, social and
institutional factors on growth in Brazil. Details
from Institute of Latin American Studies.
Tel: 071-387 3671 Fax: 071-388 5024

FEBRUARY 17-18
The 2nd Caribbean Tax
Conference
This conference will bring together an
international panel of experts from business
as well as tax administrators, who will take
a fresh look at the developments in direct
investment and financial services in this
region. Will cover free trade agreements,
anti-tax havens laws - captive - offshore
banking - investment vehicles and trusts.
Contact: M&A Associates Ltd, 18FD
International Tax Academy
Tel: 031-20-625776 Fax: 031-20-625997

FEBRUARY 24
Directors in the Dock
Personal, Criminal and Civil Liability
under Environmental and Safety Law
Run by the Environmental Law
Department of Simmons & Simmons
As a director, are you aware of the true
nature of the liability you may face, the
circumstances where you may be
vulnerable and what you can do to reduce
and manage the risks?
Further information from Kit Stokes
Tel/Fax: (0234) 343384

FEBRUARY 24
EIS & Competitor Intelligence:
Developing Competitor and
Business Intelligence Systems
for Managers
Conference explores how EIS and related
systems can improve the quality, scope
and relevance of external information
provided to managers. It discusses the
interlocking roles of the various
contributors and stakeholders in this
process.
Contact: Business Intelligence
Tel: 081-544 1830 Fax: 081-544 9020

LONDON

FEBRUARY 24-25
Acquiring in Europe
An essential M&A forum for anyone
considering making a European
acquisition. Top experts take you through
the acquisition maze and cover both
technical and practical aspects of
acquiring in all the major European
centres. For further details contact:
Acquisitions Monthly Tel: 071 823 8740
Fax: 071 381 4331

MARCH 3-4
The 3rd Annual International
Conference
The Russian Oil Industry: Trade &
Investment Opportunities. Grosvener
House Hotel, London.
Contact: Jane Isard or Julia Dods on
Tel: 081 742 2886 or Fax: 081 742 8462

March 7, 8, 9
Developing a Regional Transport
Strategy
A conference looking at a South East
Transport Strategy is a national context.
Promoted by SERPLAN, speakers include Rt.
Hon John MacGregor OBE MP, Steven
Harris MP, David Curry MP. Issues include
use, investment criteria, private finance, road
charging, congestion, demand management,
regulatory control, DRIVE, green issues &
London transport issues. Contact:
Sain Day, The Westminster Partnership
Tel: 071 730 0430 Fax: 071 730 0460

MARCH 8
IT & Corporate Transformation:
New approaches to creating
and maintaining strategic
alignment between IT and the
business.
This conference explores the success
factors and key problems associated with
implementing IT strategies to support a
business undergoing major change. It
highlights the outstanding issues and
provides practical guidance on how to
handle them.
Contact: Business Intelligence
Tel: 081-544 1830 Fax: 081-544 9020

MARCH 10-11
Winning Persuasion
Queen Elizabeth II Conference Centre,
London
Based on a new research study from the
London Business Review Group, this
two-day post-European conference will
highlight the actions that personnel
directors need to take in response to the
new business challenges facing European
business. Topics include: sales, marketing,
banking, insurance, accounting, law and
software firms.
Contact: Aam Rajan/Perry van Esque CREATE
Tel: 0892 526757 Fax: 0892 542888
Tel: (0333) 11671822 or
Fax: (+353) 1 6713594

MARCH 15-17 1994
Electronic Books
International '94
A McKermedia conference and
exhibition focusing on developments in
the world of electronic books.
Venue: Novotel, London, Hammarstrand.
Contact: Sheila Filmer or Pamela Burton
Tel: 071 976 0495
Fax: 071 976 0506 McKermedia,
Artillery House,
Artillery Row, London SW1P 1RT

MADRID

MARCH 16-17
Know Your Competitors
Competitor Intelligence & Analysis Inc.
Benchmarking. A practical two day
seminar/workshop from the UK's No 1
analysts. Practical case exercises,
successful case studies. Guest speaker
who is head of a major company's
intelligence unit.
Contact: Patricia Donnard, EMP
Intelligence Services. Tel: 071-487 5665
Fax: 071-435 1640

MARCH 23-24
Business Re-engineering:
Managing Radical Change
This two-day international conference
explores how to address the organisational
and human challenges of business re-
engineering. Including frank discussion of

TIPS FROM THE TOP

Put the gender issue on the agenda

Steve Shirley, life-president of the F.I. Group, on how to get more women into senior positions

Let's suppose that one of your resolutions for 1994 is to get more women into senior management, perhaps even on to the board. What do you have to do this Monday morning?

With women forming more than half the working population, it certainly seems strange that so few of us get through the glass ceiling to serve at a corporate level. It should be no surprise if shareholders start asking questions at the AGM.

The point is, however, that it is quality not quantity that counts: pressure to play the numbers game does not help. Making promotions and new appointments is tough enough without someone saying you should appoint a black or someone with disabilities or, heaven forbid, a woman.

Yet some positive discrimination may be necessary, if for no other reason than to create the right corporate culture. My experience is that once you alter the culture, there is no looking back. Women have seen welcome changes in the fields of marketing and advertising, and more recently, in the old, hidebound professions of law and accountancy. But we also need such a quantum leap in industry.

Top women now aged over 50 can be termed pioneers. We were the first of the few rising to uncharted territory. Career opportunities 30 years ago were so narrow that we had to take any significant opportunities that arose. The same is true today. I receive more corporate invitations than my business performance alone would warrant. They have an element of tokenism.

No matter - provided it is clearly understood that I am not going to sit quietly, giggling at the occasional joke whether or not I understand it. I expect to be judged by the same memorable criteria as my male colleagues: do I enable my group or organisation to achieve its task? Nowadays that is less by command and control, more by building teamwork and empowering individuals.

There are undoubtedly business



Some positive discrimination may be necessary, if for no other reason than to create the right corporate culture

benefits in having a work environment that is more encouraging to women. So, in the absence of quotas, what can be done to increase the quality and quantity of women's participation?

First, companies should consider introducing general management training specifically for women. I'm also a great believer in senior managers, of either sex, mentoring more junior female colleagues. Then, there is "career pathing" as a system of stepped experience towards career goals. Like men, women have to face the issue of whether they are prepared to pay the price of a vigorous career. Success is not an easy option. It requires sacrifices but also provides excitement and a sense of fulfilment.

Finally, enough, I also believe that God is in the detail. We have to get job advertisements and application forms worded so that women who have been through career breaks to have children or to follow a husband's job move, do not feel they have to break into an alien world of steady progression and unbroken continuity.

If you want to get a woman on your board as a non-executive, think of the characteristics you want in any director. Then if there is a shortage in your industry

extend your search to professions where women have hit the top.

Perceptions are vitally important. I shall always remember rejecting a candidate's application on the grounds of her insufficient experience. Then a headhunter so extolled her entrepreneurial qualities and trained intellect that a meeting was arranged. She went on to serve on our board for more than two terms.

On the subject of positive discrimination, there is Opportunity 2000's idea of percentages agreed with business unit heads so as to target, say, 30 per cent of all department heads or unit leaders to women. Once the middle management posts are filled, there will be competences enough for the top posts later. The main reason people give me for not appointing women to their boards is that there are no women around. By this they usually mean visible at the level below the board.

The process of managing change is an enormous challenge. But it is not always necessary to guess. Ask the women in your organisation what they think will help them fulfil their aspirations.

Next Monday: Percy Barnet of ABB on how to build a multinational team

Live Mason spends more than £5m a day every day of the year. Stuart Humby signs off a similar amount. Peter Garnett daily waves goodbye to the best part of £1m. Drawn from the highest ranks of the UK's 120,000-strong army of purchasing and supply managers who annually write £750bn worth of cheques between them, they are among the biggest of big spenders.

If people like them spend wisely, they can help boost both their companies' short-term profitability and their long-term competitiveness.

Mason, director of purchasing and supply for British Airways, heads a worldwide team which buys everything from jet fuel to champagne. Humby, director of group purchasing for National Westminster Bank, buys cars by the dozen for the bank's 11,500-strong fleet. Garnett is managing director of Greenalls Services, the company formed specifically to buy in everything from beer mats to beds for the shops, pubs and hotels within the Greenalls group.

The benefits of professional procurement can be enjoyed by companies of all sizes. The recently formed purchasing team at Bankers Trust, the international investment bank, reckons it has saved the business £12m in three years. Atroll-Flaregas, a Middlesex-based combustion equipment maker with annual turnover of £20m, says that improved buying procedures are saving it a useful £15,000 a month.

Companies spend an average 55 per cent of total production costs on buying in goods and, increasingly, on a range of support services. But despite a growing awareness of the value of a strategic approach to the purchasing and supply function - now invariably dubbed "logistics" - the impression remains that most British companies still fail to take the issue seriously enough.

The result, according to the Chartered Institute of Purchasing and Supply, means unenlightened busi-

"Most companies are still in the stone age as far as . . . the purchase and supply chain is concerned"

nesses could be spending up to one-third more than necessary and ultimately risking their own future.

It also means that those charged with the purchasing role have been widely regarded as bit-players in the corporate management game, badly paid when compared to finance or marketing personnel and rarely promoted into general management.

Purchasing and supply are still not getting the attention they deserve. Michael Cassell investigates

Lament of the big spenders

Purchasing power
Annual amounts spent by some large organisations

Private sector	Public sector
British Telecom	£1.5bn
British Airways	£150bn
Ford UK	£4bn
WestWest Rover	£3.5bn
	Central government (excl defence and construction)
	Universities
	£2bn

A recent survey carried out among more than 400 UK companies by the CIPS offers an "alarming snapshot" of current attitudes. Nearly one quarter of companies do not believe they can make any savings by improving purchasing and supply practice, while 17 per cent cannot even identify the percentage of their total costs spent on buying goods and services.

"Despite high levels of external expenditure, most companies are still in the stone age as far as managing the purchase and supply chain is concerned," says Peter Thomson, CIPS director general.

The CIPS, naturally enough, wants the issue driven much higher up the management agenda until the supply chain is widely acknowledged as an important influence in the overall performance of a business.

Mason, Humby and Garnett all agree that part of the answer lies in ending the compartmentalised nature of a job in which barriers are too often placed between those who sign the bills and those with purchasing expertise. Instead, they advocate a broader, strategic

approach which embraces the entire company.

The three agree that the process of elevating the supply chain process should ideally start with its endorsement among the highest tiers of management, with overall responsibility for the issue held by someone at or near board level.

"It is about establishing a new mind-set," says Mason. "You can begin by asking very senior people if they know how much their company spends, how many suppliers they have, the average length of contracts. You are often met with a glazed look but you might provoke them to go and find out."

Garnett says that by setting up a separate company to handle procurement for Greenalls, the group has made transparent the entire supply chain process, enabling it to analyse its efficiency and financial performance.

"At the end of the process, you can choose whether or not to contract out all or part of the entire supply chain, from warehousing and distribution to finance and technical services," he says.

Mason comments that one of the

biggest challenges is "getting people to shift thinking from price to cost. When you start considering whole-life costs instead of concentrating on knocking a few pounds off the initial deal, you are making progress. When we buy an aircraft, one of the elements built in is what we can sell it for 15 years later."

He adds: "In the mid-1980s, we had 10,000 significant suppliers in the world - now the figure is down to 3,500 and still falling. There is a different focus. People used to chase new suppliers to extract better prices but now the focus is on who can deliver what we really need."

Humby refers to partnership sourcing - the building of a long-term relationship between supplier and customer - and suggests: "A more strategic approach to purchasing means it can be involved right at the start of the specification process so that suppliers can respond differently to meet a company's specific needs. That way you can make important step-changes to productivity."

"All too often, companies take a look at the purchasing operation and then forget it. There is a black hole in understanding. But it needs to be examined systematically, comprehensively and relentlessly," he says.

The CIPS is doing its bit to raise the profile of purchasing in the business education world, by sponsoring three university chairs and planning as many as 12 over the next five years. It is also building links with business schools in the US and the UK.

Mason says that, despite the disappointing attitude towards purchasing and supply, business is at least starting to catch on. British Airways this year had more than 1,000 applications for six graduate places in its purchasing group.

Greenall says: "The function has not been seen as a route to the top - but that is going to change. To be effective in this area you need a breadth of business understanding which crosses all areas of the company. It will become a new breeding

"The function has not been seen as a route to the top - but that is going to change"

ground for successful executives." Meanwhile, the CIPS prefers to keep its feet on the ground. "Our survey findings are truly astonishing because of the sheer ineptitude, the sheer lack of business acumen they reveal," says Peter Thomson. "Not to know how much is spent and how much can be saved says very little for the businessmen concerned."

BUSINESS TRAVEL

FT writers explain the rights of passengers who find their flights overbooked or seriously delayed
When tickets crumble to dust

Laden with your suitcase, briefcase and suit-carrier, you stagger to the airline check-in desk. All you want is to relax in your business-class seat with a glass of champagne, and a flight attendant tending to your needs.

Instead you hear: "I'm sorry, sir, the flight is overbooked. You'll have to wait." Your confirmed ticket crumbles to dust. Angry and frustrated, you wonder what will happen next.

Most airlines in large business destinations try to soothe you with cash, meal vouchers and free telephone calls to your destination. They have to do this under European Union or US rules, which set out minimum, and in the US case, maximum cash compensation for "bumped" passengers.

In the EU, for flights of up to 3,500km (mainly within Europe and north Africa) compensation should be at least £675

(£59) where the airline offers an alternative flight arriving within two hours of the original time, and £1,150 for flights arriving over two hours later. On longer flights, £2,150 should be paid for flights arriving within four hours of the original time, and £3,300 where the delay is more than four hours.

In the US, the figures are "an amount equal to the one-way fare up to a maximum of \$200" for delays of between one and two hours (two and four hours for international flights) and twice the fare up to \$400 if the delay is longer.

The US Department of Transportation points out that "you always get to keep your original ticket, and you can use it on another flight or have it refunded. The . . . compensation is essentially a payment for your inconvenience."

Many airlines prefer to offer flight vouchers instead of cash

as compensation. Vouchers give discounts on flights, generally of \$500-\$600, but you should ensure that they can be used on discounted, as well as full-fare, tickets. You can insist on a cash payment.

Some airlines, especially those in the US, operate auctions, in which they offer progressively higher amounts of compensation until the excess number of passengers has voluntarily agreed to take a later flight. United Airlines, the second biggest carrier in the US, says that this system means

Do you have a story of obstructive airlines and how to overcome them? Send details of your experience (or any other business travel tales or advice) to Michael Skapinker or Daniel Green. Fax 071-873 3196 or 3085.

that only one in 30,000 passengers is bumped off a flight against his or her will.

Flights originating outside the US or EU may be less straightforward. Some carriers, such as American Airlines, Swissair and Japan Air Lines, apply US or EU rules across their entire network. Others, especially carriers from developing countries, may try to pay substantially less.

The rules do not apply to charter flights.

For all passengers, a few steps can be taken to minimise the chances of losing your seat.

● Confirm your flight, and check in on time. These are prerequisites for the US and EU compensation rules to take effect. Checking in early will reduce the risk still further.

● Travel business class, first class or on a full-fare economy ticket. Most airlines claim they never overbook the first-class cabin, and if you are on a full-

fare economy ticket you should be first in line to be bumped into business or first class. Furthermore, with a first or business-class ticket, other airlines on the route will be keen to take you on their flights, because they then get the ticket revenue.

● Join frequent flyer or other privilege programmes. All the airlines contacted by the Financial Times said that holders of such cards should be less likely to be bumped.

● Kick up a fuss. Ground staff have a lot of discretion over who flies. If you have a business meeting, anniversary dinner or medical condition, tell the ground staff.

Persistence works: one terror-like FT journalist was bumped on to Concorde as ground staff strove to rid themselves of his attentions.

Daniel Green



Destination Nicosia, Cyprus: but how long will it take you to get there?

Long day's journey

It is a struggle to crawl out of bed at 6am in the dead of winter, but that is the price one pays for being a north Londoner with a flight leaving Heathrow at 9.30.

The Northern and Piccadilly Underground lines delivered me to Terminal 1 at 8.30am on December 28. There I was greeted by a notice saying that my Cyprus Airways flight to Larnaca had been delayed until 6 that evening because of a 24-hour strike by Cypriot civil servants.

What rights do you have if your flight is delayed? Not many, as I discovered. Rebecca Evans, a barrister in the legal department of the Consumers' Association, says delays are a "grey and fuzzy area". The best strategy is to scream and shout, which often results in offers of compensation.

Cyprus Airways check-in is handled at Heathrow by British Airways. The BA staff were helpful, walking along the check-in queues to warn passengers for Larnaca that they should not wait, as their luggage would not be accepted before 3pm. All further inquiries were directed to the Cyprus Airways airport staff.

Cyprus Airways agreed to send a fax to my hotel in Nicosia to say I would be arriving after midnight, but that was

all. All further requests for help received a belligerent response, as did inquiries to the airline's London office after I returned home.

The airline's staff at Heathrow said they would not feed customers who had to spend the day at the airport. There were no cups of tea on offer and certainly no sympathy.

The strike, the airline employees said, had nothing to do with them. The delay had been caused by government employees, including customs and immigration officials and air traffic controllers.

But wasn't the airline owned by the Cyprus government, the internationally recognised administration that controls the southern, Greek side of the island? Not really, the airline's London office said. The Cyprus government owned a minority 49 per cent stake. The remaining 51 per cent was held by private investors.

As the strike had started the night before, why hadn't the airline attempted to contact passengers to warn them of the delay? The airline said its London staff had not known about the strike until the morning after it started, suggesting that communication between Cyprus and London is not all it should be. Although it is true that the strike was called at

short notice, BA had already postponed a flight the night before because of the dispute.

Cyprus Airways' London office said most passengers on the flight lived within commuting distance of the airport and could go home. It added that BA had sent its own passengers home. If any passengers were out of pocket, they should contact the airline.

BA confirmed that it had sent passengers home. It said it had no hard and fast rule on how to deal with delays. It said customer service staff were encouraged to take responsibility for passengers and keep them comfortable.

Ms Evans says the Warsaw Convention, which governs airline behaviour, has more to say about delayed baggage than delayed passengers. Airlines are obliged to compensate you if they do not get you to your destination within a reasonable time - usually six hours for a long-haul flight.

But Cyprus Airways was within its rights: if a delay is caused by events outside an airline's control, you have no right to compensation. But, she adds: "It's not unknown that if people make a fuss they do get compensation."

Michael Skapinker

Favourite among the safest

British Airways claims to be the world's favourite airline, but which is the safest?

The International Airline Passengers' Association has spent six months developing a system for evaluating airline safety. It looked at how many accidents airlines had suffered and how many deaths per million passengers.

It also looked at other, less quantifiable, factors. These included aircraft maintenance and the quality of pilot training, the age of aircraft and the air traffic infrastructure in an airline's base country.

BA is among the six safest large airlines. The association said BA had only one accident in its last 3m flights and had "an excellent management".

But top of the list of safe large airlines was American. "Every American flight sets another world record for most flights without an accident, now over 1m," the association said. "No other airline . . . has been close to this record."



The association believes American's success lies in its innovative pilot training and the right it gives to all mechanics to ground an aircraft. The other large carriers with good safety records are SAS ("accident free for over 24 years, an unbelievable number"), Delta, Lufthansa and Southwest. The best of the medium-sized airlines were All Nippon, America West, Ansett Australia, Canadian Airlines International and Saudi Arabian Airlines.

Floating down

The planned opening of the Channel Tunnel next May has sparked the expected price cutting by ferry operators. Euro-tunnel, the tunnel operator,

will announce its fares on Tuesday. They are likely to range between £160 and £260, depending on the season. Last week Stena Sealink simplified and cut its charges. A standard round trip for a car and five passengers will start at £126, rising to a peak of £220, with extra charges for weekend sailings. The previous peak price was £294, Stena said.

Discount time

Some US airlines cut fares by as much as 45 per cent last week. The cuts were triggered by Northwest Airlines, which reduced prices on flights to the US, Canada and the Caribbean between January 18 and April 15. American Airlines, United, US Air, TWA, Continental and Delta, all followed, but did not cut prices in all regions. Discounting among US airlines is common in January but rarely on this scale.

Peace dividend

The Israeli government announced last week plans to expand Tel Aviv airport, one of the clearest signs yet of the commercial potential of moves towards peace in the Middle

Likely weather in the leading business centres

	Mon	Tue	Wed	Thur	Fri
Tokyo	9	9	6	10	8
Hong Kong	22	22	23	21	20
London	8	9	12	9	9
Frankfurt	5	4	4	8	8
New York	-2	2	4	2	1
L. Angeles	20	19	20	21	24
Milan	6	5	4	5	6
Paris	7	6	9	11	9
Zurich	5	4	9	6	5

Maximum temperatures in Celsius
Information supplied by Meteo Consult of the Netherlands

East. The Transport Ministry said the expansion would quadruple traffic at the airport.

Fatal overload

Investigators probing last week's crash of a Russian airline with the loss of 121 people said a overloading and engine faults were the likely causes.

Tourist safety

The US travel industry, hard hit by public reaction to crimes against foreign tourists, last week launched a campaign to promote the safety of travel to the US. It will involve more information for travellers and lobbying for stricter gun control laws.

THE MONDAY People page

'We're insiders and usurpers'

Michael Perry tells Guy de Jonquières about Unilever's prospects after the Uruguay Round

For a group its size - its \$25bn annual sales dwarf the economies of many of the 150 countries in which it does business - Unilever has long kept a remarkably low profile. As Michael Perry, co-chairman of the Anglo-Dutch food and consumer products manufacturer, puts it: "We have always believed in letting our brands do the singing."

Recently, however, Unilever has begun to raise its corporate voice. Early last month Floris Maljers, Perry's Dutch counterpart, led a group of Europe's most powerful industrialists in calling publicly on governments to cut social costs, speed up deregulation and listen more closely to industry.

Soon afterwards, Unilever saw another, more ambitious, lobbying initiative pay off when agreement was reached in the Uruguay Round trade negotiations. For months beforehand, top executives had hammered away at the importance of getting a deal - and the dire economic consequences of failure. In private, they delivered the same message to the world's politicians.

Now the deal is done, what is it for Unilever? The direct benefits look surprisingly modest. Because the group, which has plants in 80 countries, makes many products locally, few are vulnerable to trade barriers.

None the less, it expects increasingly to move products across borders and to supply worldwide from a single source so as to capture scale economies. It is also relieved to see the resolution of the long-running trade dispute over oilseeds, of which, as the leading margarine producer, it is a big purchaser.

But for Perry, the Uruguay Round is as important as a guarantee of continued free trade as for its specific provisions. Had the Round collapsed, the world trade system would probably have dissolved into regional trade blocs as wealthier economies banded together behind protectionist walls.

That, he admits, would not have all been bad news for Unilever, given its

wide international spread. "One can argue that in the short term at least, a measure of protection is not something people sniff at. It has advantages if you happen to be an insider."

The snag was that those advantages would have been bought at the expense of poorer economies, such as India and Africa, where Unilever also has big stakes. The closing of industrialised markets could have threatened economic development in China, where it is rapidly stepping up investments.

That matters a lot to Unilever, which relies increasingly for growth on fast-expanding, and highly profitable, operations outside the stagnant markets of western Europe and north America. Another big plus from the Round is that pressure is kept on developing countries to plug away at broader economic liberalisation.

Still, the process is not a one-way bet. In India, where the group's local subsidiary is the second largest publicly-quoted company, liberalisation will make it easier to do business - but also for new competitors to enter the market. "So we have a foot in both camps. We're insider and usurper," Perry says.

Nor does he expect the political path ahead to be entirely smooth. "The big problem these governments face is that, if they are democracies, they have a rather sad and difficult imperative - they want to be re-elected next time round. If rippling away bureaucracy and protection leads to massive disadvantages for local interests, there is a political price attached."

That dilemma is not confined to the developing world. Perry foresees "new stresses and strains" as the European Union wrestles with declining industrial competitiveness and high labour costs, while facing growing pressure to underwrite political stability in the countries of central and eastern Europe by opening its market to their exports.

"The reality is that right next door, in east Germany, the Czech Republic and so on, there are massively lower costs



PERSONAL FILE

Born: 1934 in Eastbourne, Sussex
Education: King William's College, Isle of Man, St John's College, Oxford
Career: 1957: Management trainee, Lever Brothers
1968-77: Marketing director, then chairman, Lever Brothers Thailand
1977-81: President, Lever Argentina
1981-85: Chairman, Nippon Lever
1985-86: Joint managing director, United Africa Company International
1985: Joins Unilever main board
1987-92: Personal products co-ordinator and director of marketing
1992: Chairman, Unilever

which are going to threaten the standard of living of everyone else in Europe and increase pressures on structural unemployment."

Here, too, Unilever finds itself on both sides of the argument. It would like more freedom to export to the west from the low-cost plants in central Europe. "If we don't, our competitors will, and our shareholders won't thank us for putting them at a disadvantage," Perry says. Yet the group also has a huge stake in western Europe, where it makes more than half its sales and employs more than 100,000 people.

If things were left to the laws of supply and demand, labour costs in the EU would plunge, he says. "But since we all want passionately to cling to gains in our standard of living, we shall do everything possible to prevent that. But something has got to give somewhere. In the past, the gap (in labour costs) was plugged by tariffs and protection. The dismantling of protection has led to another solution."

What might that be? Ideally, Perry says, the gap would be closed by a rise in living standards in the developing world. The differential could also be narrowed by a reduction in social charges in western Europe, which would lower labour costs without eating too deeply into take-home pay.

He is encouraged by the realistic tone of the recent white paper on competi-

tiveness by Jacques Delors, president of the European Commission. But he is far less sanguine about reducing long-term unemployment, which he considers the biggest threat to the world economy.

"There is little companies can do on their own. We will generate wealth by using every ounce of innovation and technology to make products and services. But we are able to generate a unit of wealth these days with lower labour content than we were. Therein lies the dilemma. Where that takes us, I'm not sure. But it is an area where the old, easy, answers no longer apply."

With so much on its plate, he reckons, the EU needs to adjust to the impact of the Uruguay Round before it is ready to launch any further big initiatives in foreign economic policy. "We now have to let the thing settle, let the patterns become clearer. It may lead to some recoil, some back-tracking."

But any period of reflection and consolidation is likely to be kept short by the rush of events elsewhere - above all by political change and uncertainty in the former Soviet Union and China. "The threats to stability in Europe and the world are self-evident. To that extent, the arrangements put in place in the Uruguay Round, which appeared to fit the context of economic and geopolitical structures as they were yesterday, will have to be looked at again when patterns change. I can't put it any more precisely than that."

Personae...

Yet more turbulence at TWA

When Carl Icahn resigned as chairman of Trans World Airlines a year ago, the US carrier appeared to have embarked on a period of relative harmony, writes Frank McGurk. Just this autumn, TWA emerged from two years of Chapter 11 protection, with William Howard, a much-admired industry veteran, at the controls.

His replacement is Donald

Craig, 68, a former chairman and chief executive of the Allstate Insurance Group. A TWA director for two months, Craig has no experience of operating an airline.

He spent 35 years at Allstate,

then a subsidiary of Sears Roebuck, starting in 1950 as a claim adjuster, and has been a management consultant since retiring in 1988.

Sporting a brave face and a tight lip, the TWA board said Craig's background reflected broad financial and administrative experience. Moreover, he supported "employee involvement in the corporate decision-making process", an important issue at a company of which the staff owns 45 per cent.

Under Icahn, morale had taken a nose-dive. In announcing his resignation, the board praised the grandfatherly Howard for helping revive the enthusiasm of TWA's employees. He was reported to have clashed over strategy with

Glenn Zander, 47, one of his two vice-chairmen. In an ironic twist, Zander, a career TWA financial executive, also departed last week, citing personal reasons.

The acrimony between the two surfaced soon after it became apparent the airline's position remained highly precarious.

In November, it announced a third-quarter loss of \$61.7m and analysts have questioned whether TWA's current cash reserve of \$168m is adequate to see it through the lean winter months.

Not surprisingly Craig is more upbeat. In fact, he plans to expand the airline's capacity over the next year - one of the pillars of Howard's strategy to distinguish TWA as a full-service carrier.

Jardine's Scottish tradition

When one of Hong Kong's most prestigious jobs is vacated in March - the post of Jardine Matheson, the colony's oldest hong - it will be taken up by Alasdair Morrison, 45-year-old managing director of its associate, Hongkong Land Property Company, writes Louise Lucas.

While other hongs have done their bit by replacing top-level departees with local Hong Kong Chinese, Jardine is keeping up the older tradition of having a Scotsman at the helm.

At a Christmas function, Nigel Rich, the present taipan who leaves the colony in March to become group chief executive at Trafalgar House, and Morrison, both Scots, were reappointed in kilts.

It may be fitting attire for the managing director of Jardine Matheson, which has a thistle as its emblem, but Morrison may find he has more need to reach for his kilt than for his challenges ahead. To the Chinese government, Jardine compounded its original sin - the group started life as an opium merchant - by distancing itself from the colony. The group was the first to re-domicile in Bermuda and to switch its primary listing to London.

Finally, it publicly supported

the democracy proposals put forward by Chris Patten, governor of Hong Kong and architect of the blueprint for an expanded democracy ahead of 1997. Beijing could stand no more; it told the hong to *go xi xi* (literally go west, but also go to hell) and then gloated as the group's share prices took a hammering.

When it comes to facing these and other issues, analysts and peers say Morrison is capable, sure-footed, an obvious heir to the throne. His ultra-conservative style is just the ticket for acting guardian of a holding company tightly controlled from London by Messrs Henry and Simon Koswick, the controlling shareholders.

Boonstra bows out of Sara Lee

The onset of Chicago's winter may have been too much for Cornelia Boonstra, Sara Lee's president and chief operating officer who retired abruptly on December 31 after only six months in the job, writes Laurie Morse.

The 56-year-old Dutchman cited personal reasons for his departure, which led local pundits to speculate that his wife may have preferred to stay at home in the Bahamas rather than circulate in Chicago's frigid climate and midwestern social set. Through

a spokeswoman, Boonstra said his departure was not based on differences with company management, and was not linked to health considerations.

His exit shocked analysts, who said Boonstra had just reorganised Sara Lee's lagging apparel business. Sara Lee, which had \$14.6bn in sales in 1993, is best known for its bakery, coffee and grocery lines. But it is also a global marketer of personal care products and clothing brands like Hanes, Leggs, Bali, Playtex and Champion.

Boonstra, a 30-year Sara Lee veteran, was heir-apparent to company chairman and CEO John Bryn. Before being appointed president in July, Boonstra had served as chief of Sara Lee's European operations. He had been an executive vice president and director at Sara Lee since 1988.

Boonstra also resigned his seat on Sara Lee's board, although he will be elected as a member of the supervisory board of Sara Lee/DE, a Dutch entity which oversees most of the company's international business.

Bryn, 58, is in no hurry to retire, but now that Boonstra has bowed out his succession is left to a troika of executives. Though Boonstra's duties have been split between Steven McMillan, executive vice president, and Donald Franceschini, senior vice president, Michael Murphy, the chief financial officer since August, has also been suggested as a successor.

FINANCIAL TIMES

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RESOURCE MANAGEMENT IN THE PUBLIC SECTOR

London, 7 February 1994
This conference will examine the opportunities for selling services to the public sector and how a successful and enduring partnership can be built between the public and private sectors to the advantage of both. Speakers include: The Rt Hon William Waldegrave MP, Sir Peter Levene KBE, The Prime Minister's Adviser on Efficiency, Roger Scofield, NHS Management Executive and Rodney Aldridge, Capita Group.

CABLE AND SATELLITE BROADCASTING

London, 15 & 16 February 1994
The 1994 event will concentrate on international competition in media markets, changing technologies and the implications of the digital and compression revolution as well as commercial programming and new entertainment channels. Speakers include: Michael Grade, Channel Four; Robert Phillips, BBC; Jon Davey, Independent Television Commission; Peter Ridsdale, QVC and Timothy Robertson, International Family Entertainment.

COMMERCIAL AVIATION IN THE ASIA-PACIFIC REGION

Singapore, 20 & 21 February 1994
This biennial meeting, timed to coincide with the Asian Aerospace & Defence Technology Exhibition will examine the rapid growth of commercial aviation in the Asia-Pacific region and consider the impact of this expansion on the demand for new airlines, additional airports and improved infrastructure. Speakers include: Dr Cheong Chong Kong, Singapore Airlines; Nguyen Hong Nhi, Civil Aviation Administration of Vietnam; Dato' Kamanuddin Ahmad, Malaysia Airlines; Leonard Singer, Citibank and David Scowell, British Airways.

LONDON MOTOR CONFERENCE

London, 21 February 1994
The ninth in a highly successful series, the 1994 conference will discuss issues of concern for European motor manufacturers and component suppliers, review developments in motor retailing and distribution. Speakers include: Sir David Lees, GKN; Yukihisa Hirano, Toyota Motor Manufacturing (UK) and John Towers, Rover Group.

ASIA-PACIFIC TELECOMMUNICATIONS

A MAGNET FOR FOREIGN INVESTMENT
Hong Kong, 28 February & 1 March 1994
An international panel of experts will focus on the remarkable changes within telecommunications and discuss the important investment opportunities developing in the region as a result. Speakers include: Alex Arnes, Office of the Telecommunications Authority, Hong Kong; Simeon Kintanar, Telecommunications Commissioner, The Philippines; Fred Salerno, Nynex; James Ross, Cable and Wireless; Hiroshi Ichihara, KDD and Robin Davey, AUSTRAL.

EUROPEAN WATER INDUSTRY

London, 14 & 15 March 1994
The conference will discuss the impact of EC legislation on the water industry in Europe and consider how governments and companies are responding to the increasing demand for greater environmental protection. Speakers include: Ian Byatt, Office of Water Services; Dr Hans Möbs, Bundesministerium für Umwelt, Naturschutz und Reaktorsicherheit; Graham Hawker, Welsh Water and Dr Peter Matthews, Anglian Water Services.

WORLD PHARMACEUTICALS CONFERENCE

London, 23 & 24 March 1994
This topical conference, arranged jointly with Coopers & Lybrand, will examine how the pharmaceutical industry is adapting to the changing healthcare environment, as governments around the world are introducing programmes of reform and attempting to contain costs. Speakers include: Hon Toby Moffatt, Strategic Policy Inc; Professor Dr Jürgen Drews, Hoffman-La Roche; Dr Hideo Shinozaki, Ministry of Health and Welfare, Japan; David Anstice, Merck Human Health Division; Kuno Takeda, Takeda Chemical Industries and Thomas Moore, The Procter & Gamble Company.

All enquiries should be addressed to: Financial Times Conference Organisation, 102-108 Clerkenwell Road, London EC1M 5SA. Tel: 071 814 9770 (24 hour answering service) Telex: 27347 FTCONF G Fax: 071 873 3975/3969

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FT Surveys

A promising start to 1994

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Allied-Lyons gives RSC £3.3m

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Rostropovich at the Barbican

Stick is one **sticker** which sticks in there and positively **sticks** in the back of the controversial **stick** that annoyed the other. Mobil Playwriting Competition. Scripts should be in by next August and there is **stick** in prize money.

In contrast, Mobil also **sticks** a popular play which **sticks** the country, offering its regional **sticks** the opportunity to **stick** the clouds. **Stick** discouraged seats, and the wider public the chance to **stick** a production which is more lavish than **sticks** these days. Alan Ayckbourn's **Stick** is **Stick** Persimmon **Stick** is just starting the rounds.

Billy Roche's The Cavalcaders

blers gather in their part-time

There are times when you straining not to miss a word. Billy Breda himself plays Josie, one of the *Companions* and *Leif*. Direction is by Robin Lefevre, and if you've never been to Wexford, you might as well start from here.

Royal Court Theatre. (071) 730 1745

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Samuel Brittan

Some common sense on US and China



During the post-war period, the western world was the living standard and slow growth of Asian, African and Latin American nations, who made up the so-called Third World. The fashionable worry has flipped over; and it is the best performing of these countries which will overwhelm the established industrial nations.

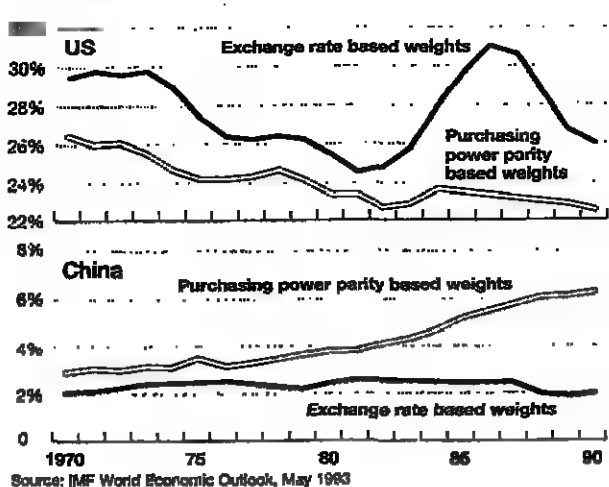
Some of the alarmism has been fuelled by a recent piece of research, which appeared in an appendix to the May 1998 *Economic Outlook* published by the IMF. This reassessed the share of different parts of the world in global GDP. It did so by converting currencies on the basis of their estimated domestic purchasing power rather than their market exchange rates.

The result was that the established industrial nations had their share of world output in 1990 reduced from 54 per cent, and the developing countries had raised from 46 per cent to more than 50 per cent. The famous finding of all was the doubling of China's share in world GDP from 3 to 6 per cent. These new estimates have travelled by bush telegraph among the economic talking classes, where they are in vogue.

They are in fact have caused any surprise. It has long been known that GDP comparisons at market exchange rates exaggerate the poverty of many Third World countries. The Canadian economist and national income expert, Dan Usher, observed a couple of decades ago in his book *China's Economic Future* that people had a tolerable, if basic, standard of living. Yet their pay, expressed in dollars or D-Marks, would have brought rapid starvation to anyone having to live on it in North America or Western Europe.

The reason for the discrepancy is well-known. The exchange rates are a rough equivalence of purchas-

Shares in world GDP



ing power for different currencies in terms of products which are traded in international trade. The stress is on approximation. The US economy appeared to drop from nearly a third to barely a quarter of the world's total, and then to an undershooting of the latter.

In Third World countries there is a systematic tendency for non-tradable products and services to sell at very low prices relative to tradable ones. Travellers know this cheap are

Third World pay, in dollars, would mean starvation for any living on it in the US

restaurant meals, shoe cleaning and other personal services in poorer countries. The new estimates had the Third World on growth rates than the total output.

Developing countries have been growing faster than established industrial ones since the mid-1970s. Since 1970, developing country growth rates have averaged 6 per cent per annum, against 3 per cent in developed ones. In the 10 years to 1994 the IMF expects developing coun-

tries to grow by nearly 1 per cent per annum while industrial countries grow by only 1½ per cent. Among the latter, the dear old European Community is projected to grow by between ½ and 1 per cent.

These estimates incorporate an additional 1½ per cent added to the previous annual growth rate of developing countries and a subtraction of 0.1 per cent for the developed world, as a result of the rebalancing exercise. Without these corrections the developing world would still have shown a more rapid growth rate than the industrial west.

But the pilots and machine unions wanted me to leave and constitute a new board as a concession and I will do that," he said. Ironically, Mr Wolf will leave United a much stronger airline than when he was brought in to revive the sleeping giant of US aviation in the mid-1980s. Although he was not the hearts of the union leaders, he has succeeded in transforming United, once focused on the domestic market, into a powerful global carrier with probably the most extensive network in the world and \$2bn of cash reserves.

In the 1990s, United, known in the US airline industry as the "Gorilla" because of its size, its way as well as its number one position in the

Mr Stephen Wolf is paying the ultimate price to secure the future of his company United Airlines, the largest US carrier.

To win up to \$5bn of assets and productivity concessions from the company's 80,000 employees to compete against the breed of low-cost US domestic airlines, Mr Wolf has agreed to step down as chairman and chief executive in June. The airline's president, John Pope, and its legal counsel, Mr Larry Nagin, are also leaving.

Mr Wolf conceded that his decision to go was not only unusual but unprecedented. "I am a little melancholy about leaving, but I am happy because I think the employee buy-out of the airline and the concessions they are making are an alternative for the company, its employees and its shareholders," he said during a visit to London last week. Just before Christmas, the United board accepted an offer by workers to take a majority stake of 60 per cent in the airline.

If the buy-out, the biggest in US corporate history, is completed as expected by June, Mr Wolf, once reported to be the highest-paid executive in America, will probably walk away an even richer man than he already is. His three-year contract will be honoured.

His published salary was \$750,000 in 1997 and he also holds considerable stock options and shares. Mr Wolf said he would not be receiving an additional golden handshake and that he would prefer to continue earning his salary by actively running the airline during the next three years.

But the pilots and machine unions wanted me to leave and constitute a new board as a concession and I will do that," he said.

Ironically, Mr Wolf will leave United a much stronger airline than when he was brought in to revive the sleeping giant of US aviation in the mid-1980s. Although he was not the hearts of the union leaders, he has succeeded in transforming United, once focused on the domestic market, into a powerful global carrier with probably the most extensive network in the world and \$2bn of cash reserves.

In the 1990s, United, known in the US airline industry as the "Gorilla" because of its size, its way as well as its number one position in the

Grounded after a bumpy flight

Stephen Wolf, stepping down as chairman of United Airlines, speaks to Paul Betts



Stephen Wolf: "When I hand over to my successor United will be a superbly engineered company"

Industry to American after a crippling strike by its pilots. The company dropped the idea of a global integrated travel group by divesting itself of its hotels, rental-car business, and its Westin and Hilton International activities.

"We returned the company to the core airline business, modernised it and put it into place what I believe is the best route structure of any airline in the world," Mr Wolf said. "We made improvements in our costs but our labour costs inherited from the days before deregulation simply could not work in a low cost airline environment."

United's unit costs are much lower than those of its big European competitors. "British Airways' unit costs are about 10 per cent higher than ours, Lufthansa's about 90 per cent and Air France 100 per cent plus higher," said Mr Wolf. But the high to compete against the low-cost carriers in the US domestic market. Faced, in addition, with the worst postwar recession in the air transport industry Mr Wolf launched a long-term capital spending programme by this year on top of an earlier one of \$5.5bn in 1997. "At the end of 1992 we also had one significant run

operating by laying off 10,000 people, but it was not enough and we went to the union leaders to try to make a significant adjustment in overall labour costs," he explained.

United had three options. "The first was the status quo: nothing but the status quo picks up. But it was no longer just a cyclical problem, it was a structural one. The second was telling us they wanted low fares as well as safe airlines. So the status quo was no option," Mr Wolf said.

The second was to co-operate with the unions to achieve a dramatic change in working practices and wages and benefit costs. The third, he explained, was to forge ahead irrespective of the unions with a sweeping restructuring programme including the setting up of separate low-cost airline subsidi-

aries within the company, contracting out service and air maintenance operations, selling assets and laying off thousands of workers. "That had option would have been very difficult and confrontational: we would have faced a labour conflict to the nth degree," he said.

From the day he took over at United, Mr Wolf has been at odds with particularly hostile labour relations, especially from his pilots. His appointment was welcomed by Wall Street because of his reputation as an expert in managing troubled airlines.

After learning the airline industry ropes in 1994 at American, he spent short stints as head of marketing at Pan Am and president of Continental. Then, in 1996, three years as head of Republic, he turned the Minnesota

United Airlines: the Wolf legacy

	1987	1998
Aircraft fleet	382	545
Average age (years)	13.6	9.8
Countries served	13	33
System ASMs (bn)	101.3	150.4
Domestic ASMs (bn)	86.2	98.6
International ASMs (bn)	15.1	51.8
% international capacity	15	35
Average daily passengers	150,685	190,879
Total employees	82,032	81,512
Operating revenue (\$)	8,360m	12,900m
Net earnings (\$)	335m	15m

*Net-debt
*Available seat miles, Domestic, international and system ASMs for US year 1987 and 1998

loss-making airline in 1997 and paved the way for merger with Northwest, moved on to Tiger International where he pushed its Tiger air business record profits before was merged with FedEx Express.

But if United's motto long been "Fly the Frier Skies", Mr Wolf found friends in the airline. Since the strike, the airline's pilots have sought to take control of the company and put a man in the top slot. Mr Wolf's first year largely as a reward of compensation for options left behind at T International - won him friends among the line's employees.

But in his strategy return United to number one position in the US industry, Mr Wolf said he would continue working aggressively to try to complete his strategic plan by stepping down in June. He just announced further expansion in Pacific Northwest into a substantial investment in flights to China. It is about to open a huge maintenance base at Indianapolis. He is continuing to long hard to win approval of the UK government to fly to London to the airline's hub at Chicago. He is in thick of negotiations with German and US government authorities to get a market alliance with Germany's Lufthansa off the ground.

"When I hand over the keys to my successor United will be a superbly engineered company," he said in an ironic reference to Gary Greenwald, a former vice-chairman of the Chrysler motor company widely tipped as the unions' preferred candidate to head the airline.

Mr Wolf said he had made plans for the future. He might consider a job in the industry, but it is likely to be in a different capacity.

His biggest consolation: that he believes he is settling into the US airline industry. "Our big US company will also have to react to the new US laws, the Delta, USAir eventually take the same employee participation road. That is the price of survival," Mr Wolf said, adding his belief that the western airline industry is in a tailwind.

LETTERS TO THE EDITOR

Number One Southwark Hill, London SE1 9HL

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Education adapting to skills needs

From Mr Stephen Wolf
Sir, Your support for continued expansion of higher education (Personal View, January 6) will be welcome in all those who believe the UK's future lies in a high-skills, knowledge-based economy. However, he fails to take the scale of recent and current change in higher education itself, both in who participates and what is provided.

It is now three years since school leavers ceased to be the majority of entrants to higher education in England and Wales: while the number of young people entering higher education expanded in 1997 by 28 per cent, the expansion was in students (77 per cent), mature women (147 per cent) and part-timers, notably part-time postgraduates (164 per cent).

This is a signal that many people are recognising the priority of lifelong learning: we must wait for young people with new skills to replace those currently in the labour market.

The second point is that traditional forms of higher education do not necessarily produce the kind of skills which the Employment in Britain survey points to. Developing skills reliably and economically in universities calls for change in what is taught and how it is taught. But the government's Enterprise in Higher Education programme has focused on the past five years in curriculum development aimed precisely at the kinds of skills. Fifty-four universities, working with thousands of employers, have introduced changes affecting the experience of a growing proportion of their students.

There is a long way to go, but the UK may not be as far behind the US as David Blunkhorn fears. We certainly share the hope that the present consolidation will prove to be a minor diversion from the long-term trend of expansion.

Stephen McNair, *Higher Education*, *The National Organisation for Adult Learning*, 11 De Montfort Street, Leicester LE1 7GE

Challenging the parental role

From Mr Andrew Campbell
Sir, Your support for the prediction of Daimler-Benz's problems as early as 1988 ("Lingering Doubts about Daimler", November 14, 1988). Christopher Lorenz's excellent analysis of Daimler-Benz was based on examining the capability of the parent company to manage and create synergy out of the diverse businesses it had acquired in the previous three years. He concluded that it was unlikely that Daimler-Benz would be a significant

divestments, and that even then the logic of the company "remains doubtful". This approach to understanding diversified companies is called parenting theory. It focuses on the skills of the parent company, not the parent's skills. This way of thinking about diversified companies has become the standard creed of top academics and consultants and in Lorenz's writing on other companies. Why is it almost from

your leader, "Diversify or Die" (January 4)? Vague discussions of "specialisation" or "balance" or about the "dang" of "having all your eggs in a basket" are a poor substitute for rigorous analysis of parenting skills in order to understand why some conglomerates succeed and others fail. Andrew Campbell, *Ashridge Strategic Management Centre*, 17 Newland Place, London W1F 9AP

Unitary councils will not spawn 'despised quangos'

From Mr John Wilson
Sir, In the First Case, Conservative opposition to the Lancashire County Council (Letters, January 6), complains that the Local Government Commission's moves to restructure local government are out of line with the Conservative government's transfer of responsibilities to health, education and waste management to trusts and agencies.

Mrs Case also claims that replacing large and remote county councils with smaller, all-purpose unitary councils will create a system of "despised quangos" because the new authorities will have to work together on strategic planning, county administration and the lord lieutenant.

Mrs Case despises quangos so much, she would do well to understand what a quango is. My dictionary says a quango is a quasi-autonomous national government organisation - in other words, a body which can more or less do what it likes and answer to national government.

That sounds to me like a perfect description of the health trusts and opted-out school governing boards which Mrs Case seems to like so much. Conversely, it does not fit at all the handful of joint arrangements, created by locally elected councillors, which the new unitary authorities will need.

Replacing the present system of separate county and district councils with unitary councils will put right the worst of the 1974 reorganisation, eliminating an unnecessary layer of bureaucracy, more money, a more responsive and accountable and, as the chairman, Martin Kettle, says, produce a structure which can do the job better from the quangos.

The real threat to local democracy and to ordinary people's ability to control their local services comes precisely from the quangos - not from the pending reorganisation.

John Wilson, *chairman, Lancashire District Councils*, 17 Newland Place, Chorley, Lancashire

A proper role for government

From Mr M R Meyer
Sir, Mr Herbert Meyer (Letters, January 12) argues that the proper role of government in creating economic growth is to establish ground rules while entrepreneurs make growth happen.

Perhaps one of the proper roles of government, as

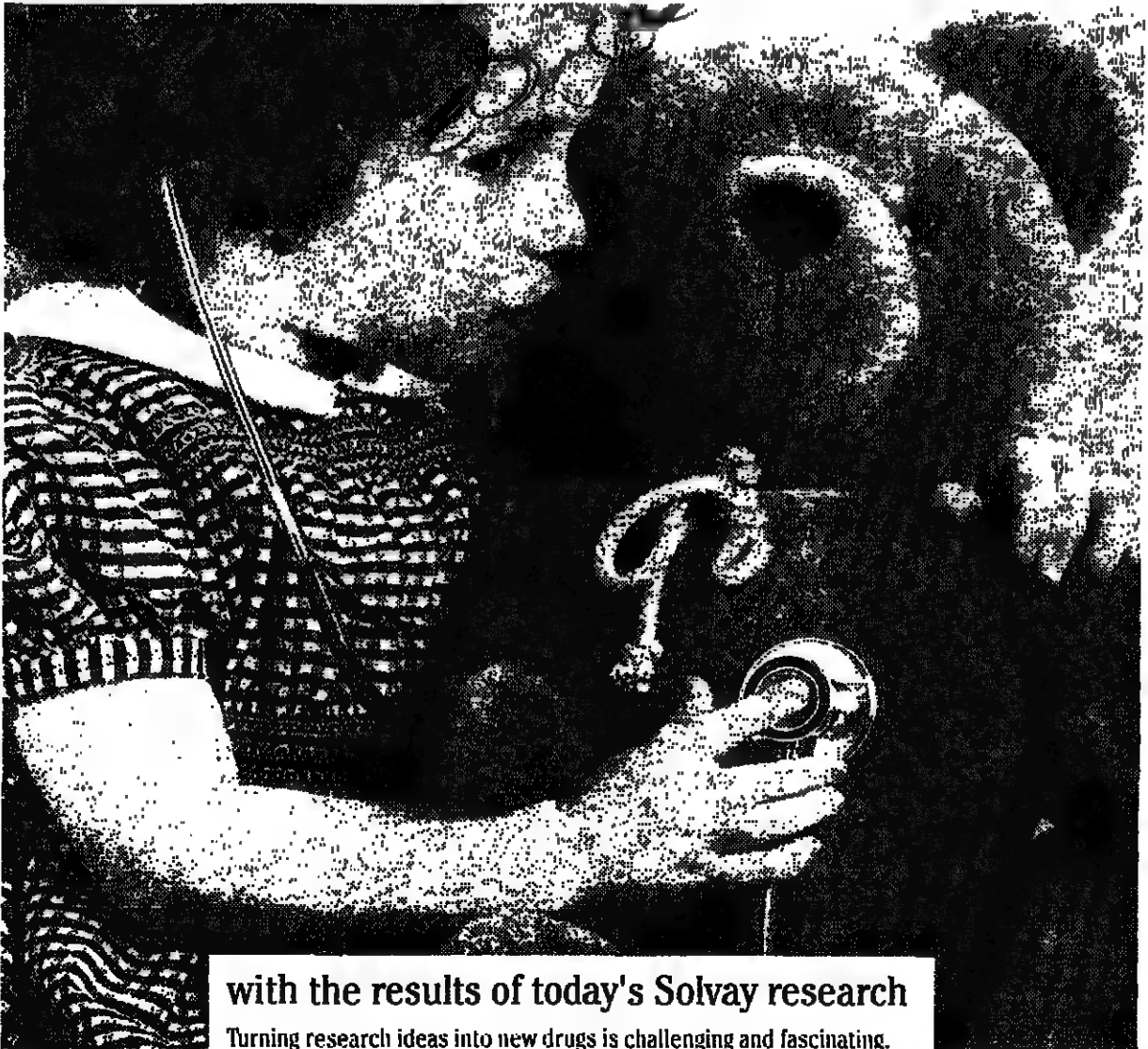
Not taken in by vouchers

From Professor Richard Rose
Sir, Russians learned to believe everything they saw on television long before the launch of TV as a promising fortune in return for a private voucher ("Yeltsin picks curbs on abuses of privatisation by voucher", January 6). Our representative survey of Russians, supported by the Foreign Office, Know-How Fund, found the great majority of Russians have a realistic view of a voucher's worth, estimating its value at 100 rubles (about £5). Some 82 per cent reckon the voucher will fall in value when it can extend to a pioneering student of public opinion: "On people are not fools". Richard Rose, *Centre for the Study of Public Policy*, University of Strathclyde, Livingstone Tower, 17 Richmond Street, Glasgow G1 1RX

Smoky tunnel

From Mr Daniel Moylan
Sir, Lex ("Eurotunnel", Jan 10) wonders whether the tunnel will be able to handle new cross-channel traffic it never had predicted. I imagine that the London-Panama trains will attract the new business from such as me who have to travel by British Airways. There are no longer welcome aboard. Daniel Moylan, *Egan Associates*, 7 Kensington Road, London W8

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Monday January 10 1994

The ghost at Nato's feast

"What really matters is Bosnia," said a senior Clinton administration official quoted in the FT last September, discussing prospects for the summit which will be held in Brussels today. If by January 10 Nato was "there, and doing something," the summit would be a success. But if Sarajevo had "gone down the tubes" it would be a failure.

January 10 is here, and Nato is not "there". At least, it is no more than it was in September. The headquarters unit provided by Nato for the UN Protection Force (Unprofor) is still there, but the force is no more able than it was four months ago to protect the civilian population of Sarajevo and other towns from Serb shelling, which continued cynically through the Christmas "truce", if anything at greater intensity than before. In August Nato threatened air strikes if the "strangulation" of Sarajevo continued. It persists, but there have been no air strikes.

The UN commander in Bosnia, General Francis Brinkmann - a representative of the "moderate" faction - has just resigned, "exhausted" after six months in the job and publicly deploring the "fantastic gap" between UN Security Council resolutions, "the will to execute those resolutions and the means available to commanders in the field". The resolutions in question authorise the use of "all necessary means" to ensure that relief supplies reach their destination. Yet tanks intended for the protection of UN troops trying to reopen the airport at Tuzla, so that relief supplies can be flown in, are stranded at a base in Serbia because Bosnian Serb leaders (against whose forces the protection is required) are allowed to block their passage; and the Serbian government extracts payment from the UN for allowing supplies through, to offset the effect of sanctions which the UN has itself imposed.

Peace agreement

When the US official spoke in September of Nato being "there, and doing something," she alluded to the plan for a Nato force, including 25,000 US troops, to supervise the implementation of a peace agreement between the three Bosnian parties. Today that only does a peace agreement seem further off than ever, but no one

any longer believes, after the retreat from Bosnia and Haiti, that UN troops would be sent to Bosnia even if a peace agreement were reached.

In short, while Sarajevo may not quite yet have disappeared "down the tubes", in other respects conditions in Bosnia are precisely those required for the Nato summit to be a failure. Nor can Nato get away with blaming the UN for this state of affairs. The same governments which are in the UN organisations.

Military muscle

Only Nato could provide political and military muscle for the UN to enforce its resolutions in Bosnia, and it has conspicuously failed to do so. It is wonder, then, that central European governments are so keen to join it. What they interpret the proposed "partnerships for peace", not as a bold strategy to gradually expand Nato's zone of influence but as a hedge, designed to prevent any escalation of confrontation between Nato and the UN.

Indeed who can expect Nato would stand up to Russia if it lacks the courage to stand up to Serbia and Bosnia? Who can be surprised, when Serbia is allowed to get away with ignoring frontiers and forcibly moving populations in the name of ethnic solidarity, that Russian leaders from Boris Yeltsin downwards increasingly invoke the same principle in dealing with other ex-Soviet republics, and seem increasingly disposed to defend the involvement of Russian military units in conflicts beyond Russian borders as a contribution to "stability" or even "peacekeeping".

Of course, Russia is not Serbia and Yeltsin is not Milosevic. There is still a chance that Russia under Mr Yeltsin's leadership will remain democratic and friendly to the west. Nato leaders do not want to jeopardise that chance, and recognise that any Russian regime will be concerned with the stability of Russia's neighbours, particularly those with large ethnic Russian populations. But that does not mean they should encourage anyone in Russia to think that such interests can be asserted legitimately or with impunity by military force. Further passivity in Bosnia is all too liable to have that effect.

Next steps for the Tecs

The establishment three years ago of the Training and Enterprise Councils (TECs) was one of Britain's boldest institutional shifts of recent years, even if the task of running them has been a nightmare. The government's failure which called them into existence.

Nonetheless, TECs have appointed the cynics who said they would emulate Private Industry Councils in the US, which lost support. Of the three TECs bestowed upon Tecs - organising the training of the unemployed, raising the skill level of the employed and stimulating enterprise - they have performed the first more efficiently than the state and have made more progress in the last two. Although of uneven quality, their industry committees have become useful forums for corporate networking and their compact size has made them ideal sites for experiments, such as those now taking place on job creation. Above all, the TECs have tapped a large reservoir of regional-based civic capitalism, which recognises that there is a collective interest in public economic goods such as an effective training system.

If that enthusiasm is not to wither away, the TECs cannot stand still. As spelt out in a book published today by Professor Robert Bennett and colleagues at the London School of Economics, TECs have not become powerful agents of self-administration, such as the German chambers of commerce, which many people - including Mr Michael Heseltine in late 1989's exile - wanted. Given Britain's individualistic business culture and the character of the government it was unrealistic to suppose that they would. The relevant question now is whether pushing them gradually in this direction will remedy the problems identified.

Less impact

In the field of stimulating economic development and channeling public support for business, the answer is a qualified yes. TECs have had less impact than hoped in this field partly because they have had very little money for it, but also because of their hybrid character and the fact that they

overlap with other institutions such as local authorities, chambers of commerce, and various government agencies, including the training department's latest offshoot, the one-stop-shop. Merging chambers and Tecs, despite their different traditions, makes sense in terms of increasing the impact of both types of organisation and in creating local bodies that are big enough to provide government support services. Some form of compulsory registration for companies with more than 100 employees would also be worth considering.

Independence

The improved information local companies that would improve the TECs' contribution to in-company vocational training. But to have a real impact TECs need financial and operational independence from government. They need either allowing them to levy funds from local businesses or to share in the business rate, or some mixture of the two. German success in vocational training has many causes, including a collective bargaining system which makes it difficult for employers to poach skilled workers, but the TECs' well-funded chambers to administer the system, financed by local employers and a local tax, is one cause of that success.

Britain cannot hope to copy German success by simply borrowing its institutions. But if they are going to become more than sophisticated agencies for training the unemployed they need to acquire something akin to the strength and independence of German chambers. It is an open question whether bodies devoted to raising business quality in general, and in-company training in particular, should also have a monopoly in running large-scale training programmes for the unemployed.

It is time for ministers to recognise that the process of granting greater autonomy to former public sector agencies across the economy needs to be applied to the TECs. Targets would still need to be set and quality rigorously monitored by the Tecs' paymasters, but enabling Tecs and chambers to merge would be a useful step along the way.

"An alliance which purports to be the intention to wage war is senseless and useless" - Adolf Hitler

The challenge the North Atlantic Treaty Organisation faces as it completes its first 50 years is to prove Hitler wrong. Since the cold war ended in the late 1980s it has been scraping around for a new sense of purpose. As leaders of the 16 allies meet for their summit in Brussels today, only the Nato membership of Nato is in question but also the nature and relevance of the organisation.

A previous summit in London in 1991 proclaimed Nato to be "the most important international alliance in history". Its success as a front line of defence was such that it never had to put troops into action. Its effectiveness derived from two factors: a powerful military capability, and the political will to use it if necessary.

But its relevance is existing - the Red Army - is now a thing of the past. It is possible that rebuilt Russian forces might again become a threat to western Europe. But - for all the sabre-rattling of Mr Vladimir Zhirinovskiy, the ultranationalist Russian politician - they are not considered a real military threat. As a British admiral graphically put it: "The light house keeper at Muckle Flugga [northern Shetland] hasn't seen a periscope for years".

The cold war held Nato together and guaranteed a level of public support. Now the only public enthusiasm for Nato is evident in the nations of central and eastern Europe which would like to join, and which most of the allies are anxious, for now, to keep at bay.

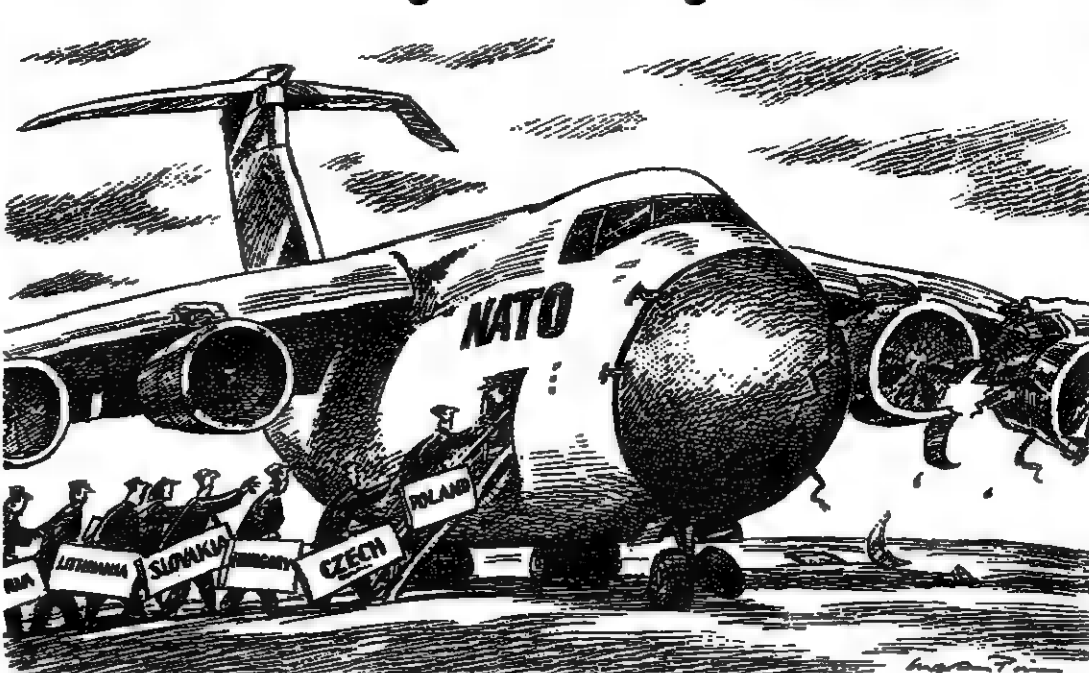
The summit, called by the US last year, was meant to be about enlargement, but that is the issue which will dominate it. The strong nationalist showing in last month's Russian elections has exacerbated Nato's quandary - giving countries such as Poland all the more reason for seeking Nato's protection, and Nato all the more reason to tread cautiously and avoid reinforcing nationalist claims that the world is gearing up against them.

Nato's leaders have yet to persuade President Boris Yeltsin to join Nato. Nato's security institutions, particularly the alliance's first ex-Soviet republic, are applying for membership. "What if Hungary, Romania?" On the other hand, the more countries join, the harder it may be to maintain a semblance of cohesion within the alliance. And the less cohesion, the less advantage there is in joining.

The fact that Greece and Turkey were both Nato members has helped contain the dispute over Cyprus - an example often cited by central European states. But that was during the cold war, it might not be so with future quarrels.

As the Nato summit gets under way in Brussels, David White questions its role and relevance

Scramble for seats on mystery ride



Europeans will not be joining the Nato but a new one. By that time a co-operative force not geared to fighting in Bosnia. The alliance is not a central and eastern Europeans want to join, essentially, is the old Nato - the Nato against Russia. Mr Antony Lake, President Bill Clinton's national security adviser, says that if they join the quickly that worries about Russia might become "a self-fulfilling prophecy".

Mr Lake's holding tactic - thought up by the US in October - is to offer military co-operation agreements to all the countries of the former Warsaw Pact, including, and asserted other European nations. Partnership for peace agreements - PFPs in Nato-speak - will allow NATO to draw closer to Nato by exercising possibly peacekeeping alongside Nato forces. They may be a prelude to membership, but not automatically. And, crucially for the applicant countries, they will include mutual defence guarantees.

Yeltsin has given a guarded response to the proposed military cooperation. Mr Volker Rittig, German ambassador and an early champion of enlargement, says that the central

Nato was able to be about shared political principles. In the past - during its first years in Portugal - a dictatorship, during the colonels' Greece or periods of military rule in Greece or Turkey - democratic principles took place in common strategic

Mr Rittig, German ambassador and an early champion of enlargement, says that the central

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The declining relevance of Europeans

As President Bill Clinton makes his first visit to Europe, it is perhaps worth reflecting that the US is rapidly cutting loose from its European roots. The point is not just that the US is not just a Pacific rim and Atlantic hemisphere power, but has become an important trading partner, it is a diminishing proportion of Americans have personal or central links with Europe.

Sharp changes in immigration patterns, magnified by fertility rates, are transforming the US into the world's most truly cosmopolitan society. Demographic point in a direction that would have been unthinkable in the founding fathers by the second half of the 21st century, Europeans and their descendants - the ethnic group that has dominated the US for more than 200 years - may well be outnumbered by other racial groups.

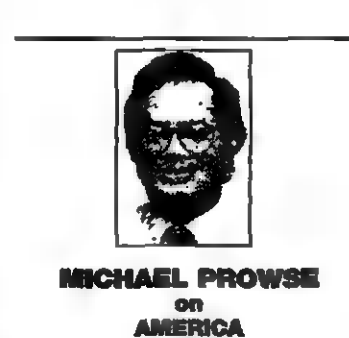
In parts of the US this non-European future has arrived. In the register of new home buyers in affluent Orange County, suggests Mr Morrison, a demographer at the Rand Corporation in California, the new immigrants are Nguyen, Le, Garcia and Kim. They are jokingly referred to as the "capital of Latin America", is comparably diverse. As the

zine noted in a special report on "multicultural" America, nearly 60 per cent of Dade County residents speak a language other than English at home.

The US was set on its present multicultural path by a radical (but much underrated) change in immigration policy in the mid-1960s. On humanitarian grounds, strict limits on overall immigration were eased and rules allocating quotas according to the existing population mix scrapped, ending the bias in favour of northern European countries such as Germany, Ireland and Britain. In 1960, 70 per cent of immigrants came from Europe. By 1980, only 20 per cent were from Latin America, the Caribbean and Asia.

Immigration policy was revised three times in the 1980s. The net result was to relax entry controls further and reinforce the shift towards Asian and Hispanic immigrants. Those entering as refugees were mainly Asian and the beneficiaries of a general amnesty were mostly Mexicans. The principle governing legal immigration remains "family unification". But since only recent immigrants seek to bring in family members, and since they are mainly Asian or Hispanic, the effect is to magnify the new bias in favour of Asia and Latin America.

So far there seems little risk of an



MICHAEL PROWSE ON AMERICA

outbreak of European-style xenophobia. In multicultural America, the children of immigrants do not see themselves by beating up foreigners. A nation that is composed of immigrants is beginning to wonder whether present policies are excessively liberal. In the past 10 years, nearly 10 million immigrants have entered the US legally - the largest number since the turn of the century. A further 10 million are reckoned to have entered border patrols.

Signs of unease are multiplying. They suggest that nearly two-thirds of voters favour stricter controls on legal immigration (Americans overwhelmingly support tougher curbs on illegal aliens). Politicians have not hesitated to exploit the changing public

mood. Mr Pete Wilson, the Republican governor of California, boosted his popularity last year by urging the repeal of laws giving automatic citizenship to the children of illegal immigrants. And he shocked the liberal establishment by arguing that illegal immigrants should be denied access to the welfare and health services.

Some of the growing hostility towards immigrants can be put down to temporary economic difficulties: when jobs are scarce and local budgets under pressure, an influx of new immigrants is bound to be unpopular. The fact that immigration is so regionally concentrated (in California, Florida and New York) only adds to the strains. California, in particular, is inundated, having accepted more immigrants in the past decade than in the preceding 50 years: 40 per cent of the population of Los Angeles is foreign born. A third of legal and half of illegal immigrants live in the state.

But the basic reason immigration runs deeper. The underlying problem is that the Americans to human immigration policy and shift the mix towards Asians and Hispanics was the result of a vigorous public debate. Americans did not consciously think their country was

ties, which should be year. Countries such as Poland rather grudgingly accept the idea, suspicious that they are being fobbed off. President Lech Walesa told the Washington Post that Nato's approach to enlargement was "shortsighted and irresponsible".

Nato's hope is that the co-operative programmes will win out serious candidates - that can make a real contribution - and them for membership, which could roughly co-incide with entry into the European Union.

What sort of role will they be joining? Will the US still be as engaged in it? Nato went through many internal spats in the cold war but there is no question of the commitment or of America's vision of its security being anchored in Europe.

Allies expect Mr Clinton to deliver a strong reaffirmation of Nato's importance and the need to keep it as a transatlantic forum. But it is questionable how long the US can maintain public support for keeping a reduced troop force of 100,000 in Europe. Nato would be severely weakened without the US contribution - both for vital military assets such as long-range transport and satellite surveillance, and for the weight the US pulls in the world.

In the past three months the Clinton administration has bombarded Nato with initiatives, fleshing out its Partnership for peace idea, seeking involvement in "counter-proliferation" to deal with potential new nuclear-missile powers, and proposing a Combined Joint Task Force which would link Nato more closely with Nato military planning the operations outside allied territory.

Nato has unique military capabilities. No other organisation could provide the sophisticated coordination needed for Nato to be enforcing its no-fly zone in Bosnia. The Gulf War after three years, also drew heavily on experience of working together in Nato.

However, allies' military forces are being rapidly run down. With no clear threat scenario, there is now longer any yardstick for judging what force Nato needs to fight. There is a risk that, like excess tanks and artillery of the Cold War, Nato's military structure will rust away. It would then be an alliance on paper, which might be worth little if put to the test.

"The trick," a former senior diplomat, "is how to ensure that the habits of co-operation that have developed over the four decades are not thrown away."

Stacking up the chairs

The Commodity Futures Trading Commission, the US futures industry's regulator which is habitually on the back of sharp trading practices among its charges, seems to be experiencing a bit of churning itself - of chairpersons that is. The Commission is now greeting the third acting chairperson selected for it since President Clinton took office a year ago.

Called to step into the shoes of Clinton fund manager and daughter William Holm, taking over from Blair, a Bush appointee who had been in place since August. Holm, sworn in as a commissioner only in November, is no time-server either. The game of musical chairs began last January when Bush supporter Wendy Gramm, chairwoman of the CFTC, handed in her resignation. Commissioner William Holm was provisionally roped in, but he departed in August, leaving a lonely duo of commissioners, one of whom was Blair.

Following the lead into the interim board have been Blair, who has obviously been a particular problem in achieving

gender "balance" for this would-be politically correct administration. But frustrated regulatory staff suspect that the White House's ambitions extend to redressing ethnic balance, and the names of two female black Chicago lawyers are circulating. Just what kind of political point is there to be made, though, after all the dithering?

UN likely

The UN's sponsorship window of the 1990s must be the United Nations' 50th anniversary, due in 1995 - a "unique opportunity to reposition the UN as the hopeful peace release puts it.

No-one would deny the organisation has a problem. This week, for instance, UN sources expect Secretary General Boutros-Ghali to take the unusual step of backing the appointment of a special "force inspector" for former Yugoslavia. His task is to investigate allegations of black marketeering, prostitution and the transporting of people from Sarajevo for payment.

Golden boys

The London gold market, where just five firms fix the price every day, is an incestuous place, even

OBSERVER



"I think you're taking predictions of a consumer-led recovery too personally"

by city standards. Hence a Drexel excitement at the admission of two new boys to the club in the space of a week.

The mighty Drexel Burnham is now the proud owner of Sharps Pixley, and Financial Markets Republic (FMR) Bank of New York swallowed Westpac, the members of the old Johnson Matthey Bankers. Their parents are big gold traders in the cash market of membership of the club since 1970.

New arrivals in exclusive gatherings should know how to behave. No surprise, then, to see Mr Smith, former head of London's second bullion firm, in Goldsmith, leave retirement in 1990 as non-executive chairman of Republic's new operation, Republic Bank.

Smith caught the gold bug in the 1960s, when he worked for Edward E. Mocatta, Republic's managing director, the Gamsarian, used to work for him, and Edmund Saffa, one of the world's canniest private bankers, had been a friend for over 20 years. Indeed, it was Saffa who persuaded Smith to join the new job.

Greasy pole

The state-owned bank is missing out on the current bullish run in the Athens Stock Exchange.

The Greek Socialist government is replacing the chairman of Bank of Attica, a benchmark in the unremarkable. But eyebrows were raised when in Athenian banking circles when none other than Mr Apostolopoulos pitched up as the new chairman of Bank of Attica, a small bank specialising in trade with the rest of the Balkans.

Until recently, Apostolopoulos, who headed a Greek trading agency, TCO, during the 1980s, last turn in the 1980s, was in jail. He had been convicted of fraud relating to the Greek Mining Scandal of 1980, when the Greek government had to pay a \$2.4m fine because TCO sold a mine of Yugoslav iron ore in Belgium, using forged Greek certificates of origin to avoid paying 10% countervailing levies.

Another, surprise is the return of Panayotis Korilas as chairman of Greece's third biggest bank, Ionian Bank, a job he held under the previous Socialist administration. All have been forgotten how, during his watch at the parent company, a luxury hotel on Mykonos built by the bank's subsidiary, Ionian Hotels. For the past two years, the bank has been trying to dispose of the edifice, which is now Drakon put up, a piffling Dr10bn budget.

Gift of the gab

The government's increasingly risible attempts to redefine its "back to basics" campaign bring to mind the Law of Irrelevance as promulgated in the 1980s and helpfully reprinted in the 1994 TV series "1984" calendar. "The less you intend to do about something, the more you have to keep talking about it."

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Monday, January 10, 1994

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China to launch \$100m fund in London

By Simon Davies in London

The investment arm of China's Guangdong Provincial Government is launching a \$100m investment fund which will be listed on the London Stock Exchange. It will be the first Chinese development fund to be endorsed by a state government.

The Guangdong Development Fund will invest in a wide range of projects in what is China's wealthiest province, and the management role of the provincial government should ensure rapid deal flow. A subsidiary of Guangdong Enterprises, the Guangdong government's investment arm - is to invest \$10m in the fund. Barclays de Zoete Wedd, the sponsor in the issue, will invest a similar amount, and it is planned that a further \$80m will be placed out in US and European institutions.

Since Hong Kong's 1993 visit to Guangdong alerted international fund managers to the changes taking place in southern China, there has been a flood of China funds listed, primarily in Hong Kong, New York and Dublin. Many of these funds have been slow to invest beyond the Chinese and Hong Kong stock markets, and most of the asset appreciation has come from Hong Kong-listed China concept stocks.

Mr Victor Chan, a veteran China investor whose First Eastern China Investment will be co-manager of the fund, claims the Guangdong Development Fund will be fully invested within 18 months, and only 10 per cent can be invested in equities. He said "1994 is going to be a difficult year in China. Even good state companies will find it difficult to expand capacity, but this will create investment opportunities."

The fund has already signed letters of intent for up to five projects which would absorb around 25 per cent of its capital.

The Guangdong Development Fund is looking to invest in infrastructure projects and light industries within Guangdong Province, which borders Hong Kong.

GM sets US profit aims after turnaround

By Kevin Done, Motor Industry Correspondent in Detroit

General Motors of the US, the world's largest vehicle maker, has set the target of achieving a 10 per cent profit on its North American manufacturing operations in 1994 after three years of heavy losses. Mr Jack Smith, chief executive, said last night.

GM, which still lags behind the financial performance of Ford and Chrysler, its main US rivals, had achieved an operating break-even on

its North American automotive operations in 1993 before interest and tax, he said. This represented a turnaround of more than \$10bn since 1990 and of \$4.5bn in 1993 alone, Mr Smith told the Automotive News World Congress.

Mr Smith, who became chief executive in November 1992 after a boardroom crisis, warned that GM's North American production was still high, and that the group's balance sheet was "still too weak".

However, GM's Opel/Vauxhall car

and light commercial vehicle operations in Europe had remained "significantly in the black", said Mr Smith.

GM Europe remained the most profitable volume carmaker in Europe last year, in contrast to the heavy losses suffered by its leading rivals including Volkswagen, Ford of Europe, Fiat and Peugeot Citroën. It is understood to have achieved a profit of \$400-\$500m in 1993 in spite of a fall in around 10 per cent in unit European new car sales.

Mr Wagoner said that GM Europe had incurred substantial restructuring costs in 1993 to reduce its workforce and its financial performance should improve in 1994.

He added that in North America GM had operated at 75-80 per cent of its capacity but was aiming to reach 100 per cent capacity utilisation by 1994 through continuing plant closures, already announced, and rising output.

Mr Smith said that GM's top short-term priority for the past two

years had been to "stop the bleeding" from its North American manufacturing operations through improved product quality, a big reduction of unprofitable sales to daily rental fleets with greater emphasis on retail sales, reduced costs and lean manufacturing.

The biggest cost reduction in the short-term - \$4bn between the end of 1992 and the end of 1993 - had been achieved in purchasing, where 27 North American purchasing units were consolidated.

Martin Dickson reports on the merger of Blockbuster and Viacom for the Paramount bid

Unlikely duo in the world of entertainment

It is a blockbuster of a deal, in both name and nature, but the \$8.4bn merger agreement unveiled on Friday night by video retailer Blockbuster Entertainment and getting-unenthusiastic early reviews on Wall Street.

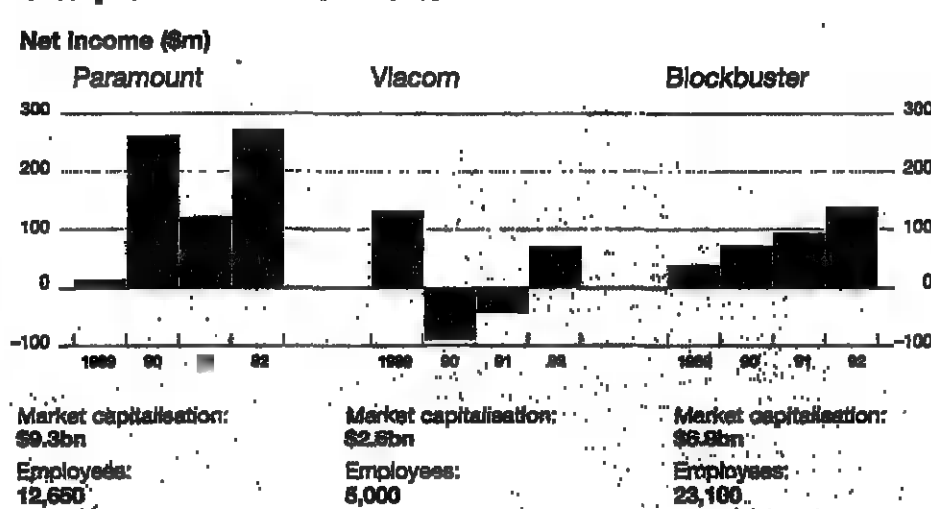
The deal is the most startling alliance yet to emerge from the five-month-long takeover battle for film and book group Paramount Communications, in which rival Viacom and Blockbuster Entertainment have gathered around them groups of allied media and telecommunications companies.

It also looks a formidable coup for Mr Wayne Huizenga, Blockbuster chairman, who in seven years has turned the business from a tiny chain into the world's largest retailing outfit, and has been trying to transform it into a broader entertainment company. To that end, Blockbuster agreed last September to provide \$800m to back Viacom's bid. On Friday, it agreed to put up a further \$1.5bn in return for Viacom stock, allowing Viacom to increase the amount of cash in its cash-and-stock bid for Paramount.

At the same time, Viacom has agreed to take over Blockbuster via a stock swap worth some \$8.4bn - a deal meant to go ahead irrespective of whether the alliance wins Paramount.

Wall Street is unimpressed. First, the deal seems a convoluted way of keeping highly-le-

The picture at Paramount



Market capitalisation: \$9.3bn
Employees: 12,680
Sep 12 Viacom announces \$8bn agreed takeover of Paramount.
Sep 20 QVC launches rival \$9.5bn bid.
Nov 23 Viacom sues to prevent QVC proceeding.
Nov 2 Viacom's second release offer to just over \$10bn.

Market capitalisation: \$2.2bn
Employees: 6,000
Nov 12 QVC steps up bid to \$10.1bn.
Nov 18 Legal action by QVC against Paramount - Viacom poison pill starts in Delaware.
Nov 24 Court rules in QVC's favour, which throws open bidding war.

Market capitalisation: \$6.9bn
Employees: 23,100
Dec 22 Paramount recommends QVC bid worth \$10bn after receiving new bid two days before.
Jan 7 Viacom announces merger with Blockbuster to finance higher bid.

call up a movie at the touch of a remote control button, rather than having to go to a video store.

Mr Huizenga, who started out as a rubbish collector in Florida and built the Blockbuster Management (now known as WME Technologies), America's largest rubbish removal company.

He retired from Waste Management in 1988 and three years later invested in the then tiny Blockbuster.

Blockbuster now accounts for some 15 per cent of the US home video market and has 800 stores in nine countries. Even though the US rental market is mature, its income and revenue (\$142m and \$1.2bn in 1992) have been growing strongly, partly by capturing

business from rivals and partly from diversification.

Blockbuster is now the third largest record maker in the US, and has a separate joint venture with Britain's Virgin to develop music mega-stores.

It has also launched in the small Hollywood film production companies and it is planning to build an entertainment village in south Florida.

None of Blockbuster's diversifications will add significantly to the impressive software assets that would be gained by a merger of Viacom and Paramount, and analysts are sceptical of the claims by Mr Sumner Redstone, Viacom chairman, that Blockbuster gives him "extraordinary capacity to exploit worldwide opportunities" in the entertain-

ment business.

Admittedly, Viacom is not getting out of a premium to gain control of Blockbuster.

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ment business.

Subpoenas served in case of UBS dismissal

By Robert Peston in London

Mr Terry Smith, one of the City of London's best known investment analysts, is serving subpoenas on three leading industrialists as part of his case for unfair dismissal against UBS Securities, the investment bank subsidiary of Switzerland's UBS bank.

He has filed subpoenas in the high court for the attendance at the case of Sir Colin Marshall, chairman of British Airways, Sir Allen Sheppard, chairman of Grand Metropolitan, and Mr Robert Montagu, Tipton chairman.

Mr Smith was sacked by UBS in October 1993 after he refused to cancel publication of a book, *Accounting for Growth*, which is critical of the accounting techniques used by many of the UK's largest companies, including the drinks group Grand Metropolitan. He believes he was dismissed in part because of complaints about the book from GrandMet and other companies, though UBS has denied this. It said he was dismissed because he breached internal procedures for releasing the contents of the book.

The trial, which begins later this year, is likely to be a focus for the long-running City debate on whether analysts are free to write impartial reports on companies which are the customers of their firms.

UBS is suing Mr Smith for breach of copyright in relation to the book. Mr Smith is suing UBS for breach of contract and unfair dismissal. He is claiming around £900,000 in lost remuneration and legal fees.

This week: Company news

METALLGESELLSCHAFT/SIEMENS

Germany due for a respite from nasty shocks

The worst should be over by Wednesday evening. By then, Metallgesellschaft's corps of shell-shocked shareholders and bankers is due to have delivered its verdict - along with pledges to stump up DM3.2bn (\$1.95bn) - on the new management's rescue plan.

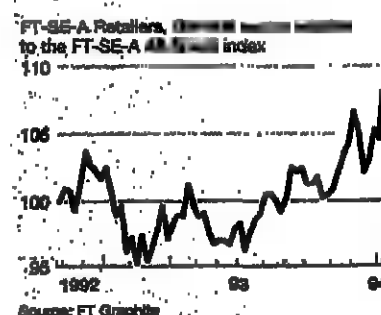
Provided there are no further unpleasant surprises from the metals, mining and engineering group, things should start to improve on Thursday. That is when Mr Heinrich von Pierer, chairman of Siemens - the epitome of German corporate conservatism - will reflect on a sound year and perhaps offer some more tangible evidence of economic recovery than the "light on the horizon" allegedly detected by Bundesbankers and assorted pundits.

Mr Kajo Neukirch, the new Metallgesellschaft chairman and renowned company doctor, is also expected to make an appearance before the press to throw more light on how he hopes to take the group forward.

Although the financial rescue package is the work of Deutsche Bank and Dresdner Bank, his role should not be underestimated. One industrialist remarked, "wherever they put him in, I'll put my money in behind him." Which may be of some comfort to creditor bankers. One of them, despite an attack of the horrors over the revelation of a DM1.5bn loss at MG Corp in the US, said: "I'd love to see what the poor blighter can do when he gets to run a good company."

Mr von Pierer is in that fortunate position. At the Siemens annual press conference he will review the group's 1.3 per cent net earnings gain for last year. It was not much, but given the sea of red ink engulfing much of corporate Germany, it was as welcome as the group's plan to invest DM2.4bn in a new semiconductor plant in Dresden. These looking for more good news will focus on the order book.

UK stores



UK RETAILERS

Flurry of news to test the anecdotes

After conflicting messages from Dixons and Boots last week, a clearer picture of UK retailers' fortunes in the vital Christmas trading period may emerge this week, with at least four leading groups due to make trading statements.

Dixons rushed out a profits warning last Thursday, which contrasted with anecdotal evidence of brisk seasonal trading. Boots, however, reported sales up 7.2 per cent, and is thought to be more representative of the sector.

Tuesday jewellery group Signet (formerly Ratners) and Storehouse, the clothing group, will report. Signet shares were hit in December by rumours that sales were down. But at least one analyst expects the group to announce a recovery. Storehouse is expected to follow a good Christmas last year with sales increases of about 5 per cent at BHS and 10 per cent at Mothercare.

Body Shop, which last year reported an 8 per cent drop in like-for-like Christmas sales, is expected to report better news on Thursday. Analysts expect growth of 4.5 per cent including new stores. Friday's catalogue retailer Argos is also expected to be positive.

Next and Sainsbury are still considering whether to make statements, while Kingfisher is tipped to make its first ever Christmas statement before the end of the month. Marks and Spencer is waiting until mid-February.

OTHER COMPANIES

Bidders line up for Italian phone prize

Bidders for Italy's mobile phone network will be working this week to finalise preliminary proposals before the pre-qualification deadline on Saturday.

After months of talks, the initiative to launch Italy's cellular phone market, hitherto monopolised by the state-owned Sip group, and to set up a new GSM network, is moving ahead in earnest. Italy is one of Europe's fastest-growing mobile phone markets, with more than 1.1m subscribers in the existing network.

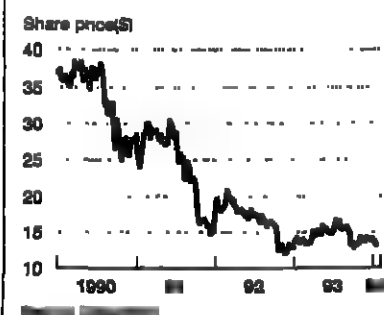
The four bidders in contention are: Unitel (Fiat, Fininvest, Vodafone); Omnitel (Olivetti, Telecom); Bell Atlantic; Cellular Communications, Lehman Brothers; and Etra (Pacific Telephone and a number of medium-sized Italian companies); Etra (Eni group, BellSouth, Millicom, Premafin). The competition is expected to be intense by the end of April.

Westinghouse Electric on Tuesday Michael Jordan, chairman of the troubled conglomerate, will brief Wall Street analysts for the first time since his appointment last June. He is expected to spell out his strategy for turning the company around.

Mr Jordan, formerly a partner with PepsiCo, replaced Mr Paul Lego, who resigned from the chairmanship under boardroom pressure a year ago because of Westinghouse's poor performance.

J.P. Morgan: The US bank should enjoy a temporary respite from the Eurozone's entanglement with the struggling Spanish bank Banesto when

Westinghouse Electric



It reports fourth quarter results on Thursday. The figures are expected to cap a strong 1993, with market projections putting earnings per share for the year at 1.10 compared with 1.00.

The earnings momentum in the last quarter is likely to have slowed, though. The question is whether a tail-off in trading income lead to a slump in earnings?

Tomkins: In the UK on Monday, the industrial group Tomkins reports half-year results. The market will be looking for Tomkins to report a turnaround. The group's parent, the milling and baking subsidiary has dragged down the parent's stock. Analysts are expecting pre-tax profits of about \$27m (\$130m), up from \$47.1m.

Rank Organisation: On Thursday the leisure group will report annual results amid speculation about a dent in the figures caused by the closure of the joint venture partner Xerox to cut its workforce. Analysts are looking for pre-tax profits in the region of £264m, up from £230.1m.

Companies in this issue

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Markets this week

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PETER MARTIN: GLOBAL INVESTOR

The death of vertical integration has been a constant theme of world business over the past 10 years. But it is still influencing the investment opportunities in manufacturing industry. Page 20

PETER NORMAN: ECONOMICS

Early next month, policy makers should receive a rulebook on how to monitor economies. It will mark a breakthrough of sorts, but many will miss an opportunity that has been missed. Page 18

Bonds: Borrowers have dashed to launch new year eurobond issues. Within several weeks new eurobonds will be in the market, and the most interesting was the Eurofina. Page 22

Equities: The re-appearance of US buyers in the world of last week's financial crisis was a prolonged post-Christmas indulgence. Page 21

Emerging markets: Few expect 1994 to repeat last year's average 10 per cent capital gain. But the profits have attracted the attention of politicians keen to raise taxes. Page 21

With US-Japan trade talks to begin in Tokyo this week, a key question will be the relationship between the dollar and yen. Page 21

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COMPANIES AND FINANCE

Buying the Bactroban with the bath oil

Guy de Jonquières on why SmithKline Beecham has reshaped its consumer brands side

SmithKline Beecham, the pharmaceutical group, will today seal on a year-long reorganisation of its business by giving it a new name. In future, the business, which year provided a quarter of the group's \$5.2bn turnover, will be known as its consumer healthcare division.

Behind this apparently trivial detail lies a drive to ride a wave of change sweeping through the world pharmaceutical industry. SB aims to sharpen the international marketing thrust which it, and many rivals, believe will be increasingly important in the future.

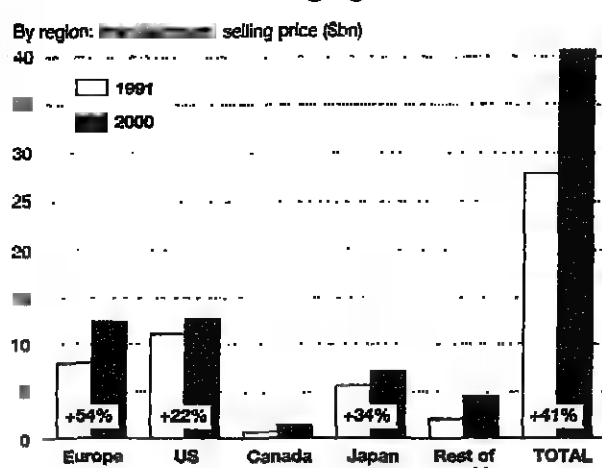
The most powerful impetus to the industry-wide stampede to generate more business from over-the-counter drugs, ballooning health budgets force governments everywhere to squeeze prescription medicine costs.

"Ten years ago, increasing OTC sales was tactically right. Today, it is strategically right," says Mr Harry Grooms, chairman of SB's health-care.

Competitors have drawn the same conclusion. Six months ago, Glaxo, Warner-Lambert and Wellcome joined forces to develop and OTC drugs. A year earlier, SB formed a joint venture for similar purposes with Marion Merrell Dow of the US.

History has endowed SB with some advantages in consumer marketing. It is relatively more exposed to consumer products than most of its large rivals, thanks to brands like Lucozade and

Over-the-counter drugs growth



By region: — selling price (\$bn)

Source: Nicholas Hall & Co

Ribena soft drinks, Macleans toothpaste and Tums antacid tablets.

However, not all the brands fitted the company's newly-defined vocation as a health-care supplier. Last year, it disposed of products including Bivectem hairdressing, Bada-das hair oil, the Silvikrin and Vosene hair care brands.

The streamlining leaves the consumer healthcare division focused on three main business areas: OTC drugs, currently about half its total sales; oral care, including toothpaste and brushes, which accounts for a further quarter; and nutritional products.

Mr Grooms reckons the business will get off to a flying start this year when it launches in Britain a non-prescription version of Tagamet, its best-selling anti-ulcer drug,

designed to treat heartburn. It also plans to market its OTC anti-smoking gum and patches developed by Marion Merrell Dow.

Other candidates for OTC treatment include Bactroban antiseptic cream and its Relafin anti-arthritis drug. The company also sees a promising market in home diagnostic kits. By year 2000, it will have five OTC products each generating annual sales of \$100m.

Confidence is inspired by the US, where sales of the popular OTC drugs have increased on average two and a half times since they came off patent. That growth has lifted their lower net profit margins which, at 10 per cent, are half those of best-selling prescription drugs.

However, industry analysts

point out the OTC business has pitfalls. An OTC version of Tagamet will have to do a similar job to the prescription drug with a much lower strength. It will be competing directly with Tums, an antacid treatment. And once Tagamet patents finally expire, rivals will be free to make it.

"The market is going to be more competitive," says one analyst.

SB has spent the year girding for that challenge by overhauling its international marketing, which had been hampered by the company's division into loosely-linked geographic units. "There was no way to drive a cohesive marketing or product development strategy worldwide, because it quickly ran into graphic barriers," says Mr Grooms.

After studying successful products manufacturers, including Unilever, Procter & Gamble, SB set up three teams, each responsible for managing a product category. Headed by proven marketing executives and backed up by research and development staff, the teams are free to co-opt managers from the company's national subsidiaries.

The new approach is already paying dividends. Mr Grooms says the division's sales rose by 11 per cent in 1993, after stagnating in 1992.

Tighter cross-border co-operation has reduced the number of products in each category. It has also cut costs around the world, cutting manufacturing by \$1m a year.

"Better co-ordination hasn't

just saved on costs," says Mr Peter Glynn-Jones, SB's head of corporate strategy. "It means if something has been done by a group of experts, you can be sure it's right."

Product development has also been speeded up. Mr Glynn-Jones says a new toothbrush with a flexible head, been developed in 40 per cent of the time needed under the old system. SB aims to launch it in all its main markets in two years, instead of the four it would have taken previously.

The next challenge is to extend products into new frontiers. This has advanced slowly since SB formed in 1989 out of a merger between SmithKline French of the UK and the British Beecham group.

Though the healthcare division's biggest markets are in the US, Europe and Japan, only places outside Britain where many former Beecham brands, such as Horlicks, are sold are Commonwealth countries. Furthermore, the UK still the only market in which all the division's three business units are active.

Mr Grooms says SB is considering launching nutritional drinks such as Ribena and Lucozade in the US. It also plans to broaden its product range in China, where its Contac anti-cold treatment is already selling well.

However, the division's expansion does not mean it is also looking out for acquisitions and believes further strategic alliances will play a role. "We take a very pragmatic approach," says Mr Grooms.

Pharmakopius seeks Stock Exchange listing

By Paul Taylor

Pharmakopius, a 10-year-old specialist international health-care research and development company, is to seek a listing on the London Stock Exchange.

The group, which is based near Oxford, undertakes contract research and development work and provides the other services needed before a new drug can be licensed. Its customers include a wide range of pharmaceutical companies.

Dr Richard Smith, Pharmakopius' founder, chief executive and main shareholder, says the flotation will probably be by way of a placing with institutional investors early in the year and is likely to value the company at between \$30m and \$35m.

The issue is being sponsored by Allied Provincial Corporate Services.

Dr Smith, a former Reckitt and Colman director of

research and development with more than 20 years' experience in the pharmaceutical industry, founded the company in May 1984 as a specialist consultancy. His close adviser is Mr Ronald Wing, a former managing director of Reckitt and Colman.

Since then the range of services offered by the group has been expanded to include all aspects of pharmaceutical product development from the end of the discovery process to obtaining product licences.

Although turnover has been relatively flat throughout the recession at about \$3.5m, the group continued to trade profitably despite substantial investments, mainly in specialist staff.

The group currently employs a core full-time staff of some 75 people, mostly highly qualified scientists.

Its client base of more than

150 includes some of the largest international pharmaceutical companies like Bayer, Roche, Nicholas, Smith & Nephew and Wellcome.

Although it faces competition from the many small contract clinical research companies in the UK and a few large competitors in the US, Dr Smith claims Pharmakopius is distinct from the majority of healthcare companies.

The company expects to raise between \$25m and \$30m in new money through the flotation. The new funds will be used to expand the group's international operations and to further enhance its services to the pharmaceutical industry and strengthen its market position.

In addition the funds will be used to exploit the recently-acquired worldwide rights to a broadly based portfolio of prescription and over-the-counter products which are sold by subsidiary, Alj Healthcare.

Technology and IBM make up

Technology, the UK's largest computer reseller, and International Business Machines (IBM) have made up the quarrel which followed ICL's acquisition of Technology in July 1992, writes Alan Cane.

IBM's time cancelled its distribution of the reseller to seek other means of

supply for IBM machines. Technology, an authorised IBM dealer for nine years.

Now IBM has agreed that Technology will sell its economy level Valuepoint range of notebooks and PS/2 computers as part of the agreement.

IBM's advanced PS/2 computers are part of the agreement.

CROSS BORDER M&A DEALS					
BIDDER/INVESTOR	TARGET	SECTOR	VALUE	COMMENT	
Pharmakopius (UK)	Corbin & Rowlinson (UK)	Commercial locks	\$54m	refocusing	
MBO team (UK)	Unit of Alj Healthcare (Germany)	Furniture	£25.5m	UK disposal	
Needle (Poland)	Gopians (Poland)	Food	£24m	biggest joint venture	
ICL Breweries (Japan)	ICL Brewery (UK)	Brewing	£23.5m	Buying into China	
Pentland Group (UK)	British (UK)	Sports goods	£19.7m	Complementary purchase	
MBO team (UK)	Unit of (UK)	Packaging	£18.4m	Restructuring	
Glaivebel (Belgium)	(France)	Glass processing	£8m	UK's Rugby in sale	
Allied-Lyons (UK)	Baker's Aid Co	Bakery equipment	n/a	Buy through US arm	
Kleinwort Benson (UK)	Tata Asset Management (JV)	Fund Management	n/a	Sector liberalisation goes on	
Daeewoo (S Korea)	JV	Car manufacture	n/a	£105 investment planned	

EFM Dragon \$80m senior loan note issue

EFM Dragon, an East Asian investment trust, has issued \$80m of 10 year senior loan notes. It is believed to be the first UK investment trust to make such an issue, writes Bethan Hutton.

The notes, which have a fixed coupon of 7.25 per cent, are placed with US institutional lenders.

The trust currently has assets of about \$380m, only a small amount of which is in the proceeds of the issue, arranged by Hambros Bank and Citicorp. The notes, which will be approximately 20 per cent of the trust's total assets, are a relatively high level for its sector.

Mr Hamish Buchanan, an investment trust analyst with NatWest Capital Markets, says the issue is designed to avoid currency risk.

"They are borrowing effectively in a matched currency, because so many currencies and economies in the East Asia region are dollar denominated, dollar linked," he stated.

Michael Balfour, manager of the trust, described the coupon of 7.25 per cent as "very attractive". In light of projected growth rates in economies in the region of 7 to 10 per cent a year, the trust will give investors flexibility to

buy into markets at times of weakness. Mr John Skymanski, an investment trust analyst with NatWest, added that current investment regulations mean the interest would have to be paid out of dividend income rather than capital growth from the fund.

Dividend levels on shares in south east Asian markets tend to be low, but the rate of return of 1.5 per cent spread over the whole fund should be possible to meet, he said.

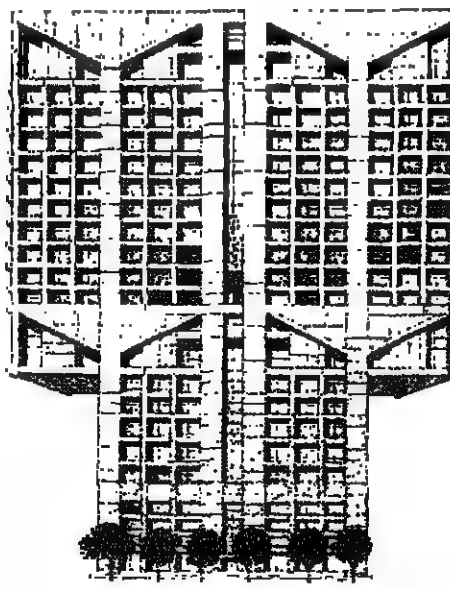
The impact on the trust's income to shareholders should be outweighed by improved capital gains.

Whitbread opens more Pizza Hut's

Whitbread has agreed plans with Compass, the catering group, to open Pizza Hut restaurants in the UK during the next 18 months in UK airports, railway stations, workplaces and other off-high street locations, writes Philip Rawstone.

Whitbread opened a Pizza Hut restaurant last year to bring the total to nearly 300. The company also intends to continue the expansion of its international operations.

A concrete example of how LTCB turns conventional ideas upside down



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In accordance with the provisions of the Notes, is hereby given that, for the 10 month period, 10th January, 1994 to 11th July, 1994, the Notes will bear interest at the rate of 3 1/2 per cent, per annum.

Coupon No. 18 will therefore be payable on 11th July, 1994 at U.S.\$4.375 per \$100 of U.S.\$200,000,000 nominal and U.S.\$189.58 per coupon from Notes of U.S.\$10,000 nominal.

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In accordance with the provisions of the Notes, is hereby given that:

Interest period: January 6th, 1994 to April 6th, 1994

Interest payment: April 6th, 1994

Interest rate: 6.50% per annum (including the margin)

Coupon amount: £14,840.41 per £100,000

Agent Bank

ABBEY NATIONAL TREASURY SERVICES PLC

30 Grosvenor Place, London W1X 3PH

Tel: 01-245 0000 Fax: 01-235 0000

ECU Terminvest PLC

30 Grosvenor Place, London W1X 3PH

Tel: 01-245 0000 Fax: 01-235 0000

IRISH PERMANENT

100,000,000 Floating

is hereby given

Interest period from 1 January

to 1 April

carry of 5.50% per annum interest payable

on 1 April

and £14,840.41

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Interest payable 11 July

will be

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Floating

due 2000

For the period from 10 January 1994 to 11 July 1994

Tranche A at 4.1625%

Tranche B at 4.0625%

Interest payable 11 July

will be

US\$10.44 per US\$100,000 Note

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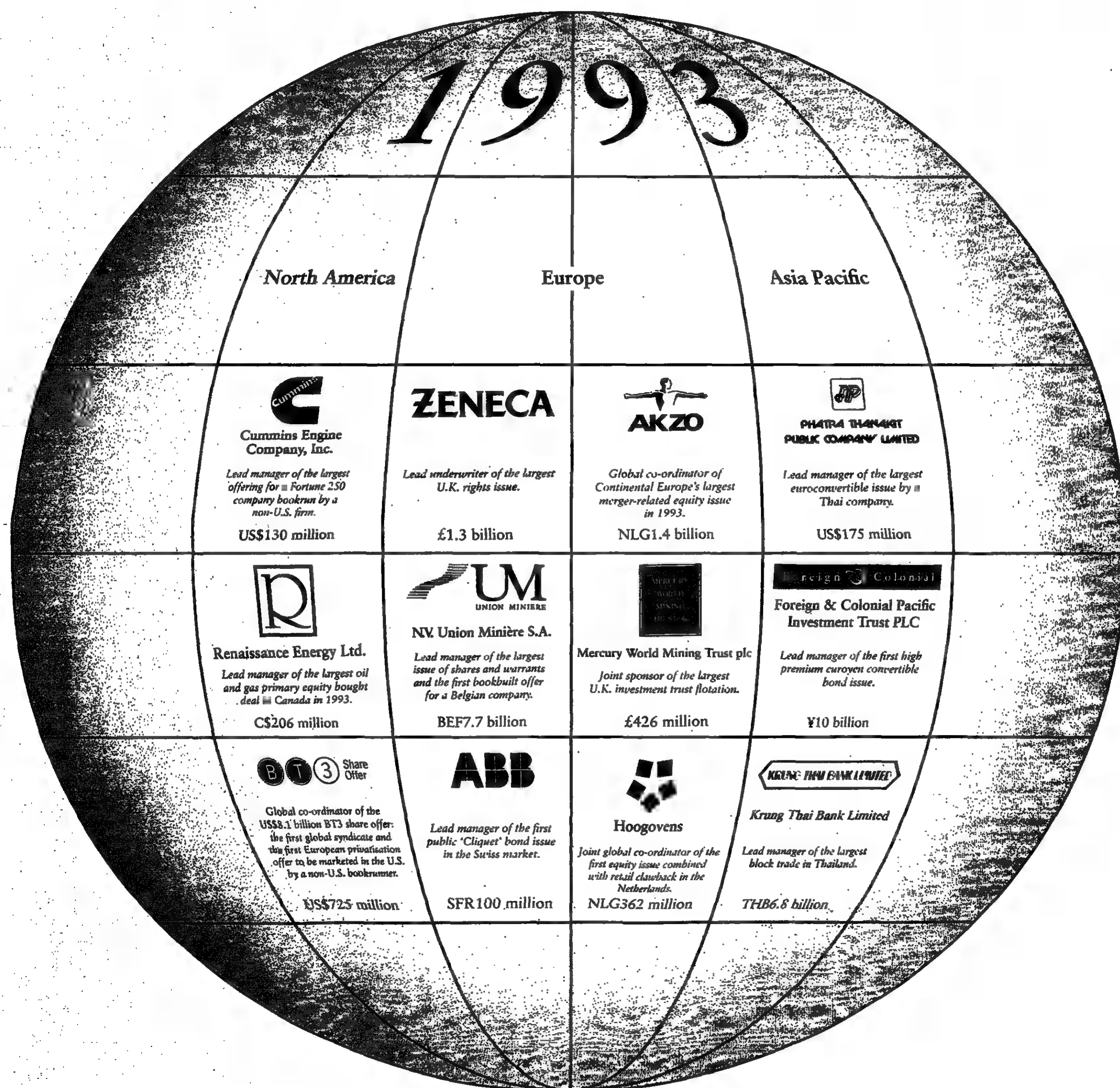
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Prices for electricity generated by the power station at the electricity generating plant in England and Wales

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COMPANIES AND FINANCE

US bank sought Banesto board changes last autumn

By John Gapper
Peter Bruce in Madrid

J.P. Morgan, the US bank advising Banesto's Spanish credit (Banesto) before its board was dismissed last week, recommended to Mr Mario Conde, Banesto's former president, last autumn that he make changes in the bank's senior management as part of a recovery plan.

J.P. Morgan was Mr Luis Angel Rojo, the governor of the Bank of Spain, on the intervention to say that it supported Banesto's former management. However, it emerged that the bank had told Mr Rojo that it thought Banesto's managers should be replaced.

J.P. Morgan believed to have pressed for management changes that could have been

announced early this year as part of its own recovery plan, which would have involved writing down Pta265bn (\$2bn) of Banesto's assets immediately and raising new capital by issuing a convertible bond issue.

Mr Conde, meanwhile, has promised to hold a press conference this week, which would be his first public appearance since being removed as Banesto chairman.

It seems unlikely that Mr Conde will seriously challenge the central bank's intervention.

Mr Conde owns about 4 per cent of Banesto's equity and his personal fortune depends on the bank recovering under its management.

Mr Conde borrowed Pta70bn from Central Hispano (BCH) to participate in the capital increase, said by J.P. Mor-

gan last year, pledging the bank he bought and the rest of his assets as a guarantee.

However, Mr Conde is likely to add his voice to growing opposition in Madrid to the possibility that the bank management could write down the bank's capital, and thus the value of its current shares, before asking other Spanish banks to participate in a capital increase.

Mr Conde's Amestegui, the president of BCH, has publicly opposed a capital write-down. "It is the last thing they should do," he said.

Mr Alfredo Sánchez, Banesto's acting president, has told shareholders he is "studying every possibility" to defend their interests. Opponents of an equity write-down should recapitalise the bank by selling assets.

Italy's yen bond open to Japanese investors

By Tracy Corrigan

The Republic of Italy's ¥300bn global bond offering, launched today, will be the first yen bond offering to all investors in Japan, as well as Europe and the US, following the International Japanese financial regulations.

It will be the largest offering outside the domestic market.

Previously, international bonds could only be sold in Japan after a 90-day lock-up period, and then only to large institutions.

The process is similar to registration with the Securities and Exchange Commission in the US market, which allows underwriters to sell bonds to a much broader investor base.

Deutsche Securities, one of the sponsors of the transaction, said that "the whole transaction could be absorbed in the domestic market, but that is not the purpose of the deal". If it were placed solely in the domestic market, it would be likely to become illiquid.

The seven-year bonds are expected to be priced to yield 4.48 per cent, more than the No.14 Japanese government bond due June 2001. Following a further rally in the Japanese government bond market last week, the yield gave a yield of about 3.5 per cent.

According to Mr Alberto Giovannini, head of the Italian Treasury's international borrowing programme, the pricing reflects an improvement in Italy's performance in the last year.

However, with elections due later this year, Italian bonds could again become volatile in the face of political uncertainty.

Foreign borrowing for 1994 has not been set. Mr Giovannini said that it would be around 4 per cent to 5 per cent of total debt. Last year, Italy borrowed ¥1.4tn in international markets.

When the hedging had to stop

Metallgesellschaft lost DM800m on oil contracts, writes Richard Waters

Metallgesellschaft, the stricken German metals and oil trading group, puts its losses in derivatives for the year ended September at about DM800m (\$470m). By the time it has paid its unprofitable positions, a further DM1.5bn would be added, creating a spectacular loss incurred through trading in the derivatives markets.

Could this disaster really have its origins in a misguided hedging strategy intended to reduce the group's potential losses from movements in the oil price?

The answer, according to people close to the group and traders in the oil derivatives markets, is a close knowledge of its activities, yes. However, as the losses began to mount through last autumn, further misjudgments by the group's management in the oil market led to the disaster.

At the heart of the company's disaster lies a basic mismatch in the maturity of its cash flows, the delivery of oil products, and the derivative financial instruments used to hedge those commitments.

MG Corp, the US arm of the group, had been keen on an aggressive expansion of its energy business, with a gas and oil.

Through its 40 per cent stake in Castle Energy, a Pennsylvania refining and marketing company, MG had been widening its refining business rapidly. Last year, MG acquired Powerline, a California-based refinery. Its refining capacity is put by analysts at between

100,000 and 150,000 barrels a day.

The group is also reported to have had an additional marketing arm, buying and selling on energy products to a wide range of customers. Total sales were put at some \$1.5bn.

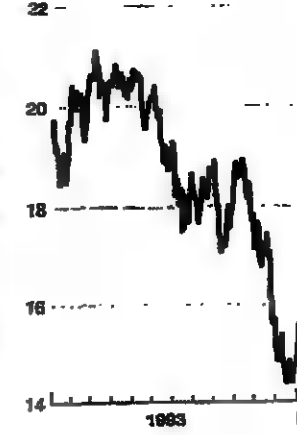
Yet the rapid growth of its refining and marketing operations left MG with a large risk. It was contracting to sell oil and oil products in the US at a fixed price which had been determined at the time. However, it would have to buy oil to meet those commitments at the prevailing market price. If the oil price were to move up, it could face a big loss.

MG chose to hedge its risk mostly by buying short-term futures contracts. MG's operations at the US markets were conducted through MG Refining and Marketing, the New York-based subsidiary through which the physical sale of oil products was handled. The bulk of the trading was handled through the subsidiary's operations in Houston, a major focus of the energy trading in the US.

MG had acquired a reputation as a moderately active trader in the over-the-counter derivatives markets, though not one of the biggest. It had enjoyed a good reputation among Houston's oil trading community, and it was known for hiring talented people. Last year, for example, it recruited Mr R. Kinnear, a former vice-president of Phillips, the energy trading arm of American Petroleum and a long-time participant in the deriva-

Oil price

West Texas II month (\$ per barrel)



Source: Datastream

MG's markets, to run its growing energy business.

But the group's hedging strategy proved a disaster. It was based on a belief which was widely held in the oil market before this autumn: that short-term oil prices would never fall much below long-term ones.

Ever since an active market in long-term oil derivatives developed in the late 1980s, traders say, short-term prices have remained higher than long-term ones in a phenomenon known in the oil market as backwardation, equivalent to an inverted yield curve in the interest rate markets.

A number of oil traders recall that it was an article of faith in their own firms that this phenomenon would per-

sist, or that if short-term prices fell below long-term ones, it would be only marginally. On this presumption, the maturity mismatch in MG's hedging strategy posed few risks. It could even lead to a small profit if the oil market retained its gentle backwardation, since the company would profit from short-term trading gains.

The autumn oil price fall in this approach. The long-term oil price remained little moved, while the immediate market price fell sharply. Suddenly, MG was faced with big losses in its short-term derivative positions.

A number of questions remain. Why did MG not earlier to change its hedging strategy? In the oil price slide, even before the crucial Opec meeting in November, it was clear that past assumptions about the pattern of oil prices might be challenged.

Were all its short-term positions in the financial markets the result of hedging, or was the company also speculating to try to make a profit?

It is clear that MG was running a large position: with a barrel loss on all its derivative exposure, it would have needed to take a position of 800,000 barrels in oil take a loss of \$1.2bn. That is equivalent to nearly 100 years' worth of refining and marketing arm, all of it hedged in the short-term market.

"That's a pretty big bet," one experienced oil trader said last week. "It certainly raises the question of what hedging is for speculation."

MMH sells 4% Renison stake for A\$43.7m

By Bruce Jacques
in Sydney

MMH Holdings, the Australian mining group, has sold its 4 per cent stake in Renison Goldfields Consolidated, in a deal worth A\$43.7m (US\$29.3m).

The sale follows a review of non-core assets and was undertaken at A\$100 a share, or A\$12.8m per share, a 10 per cent discount to the value for the stake.

It is believed that the shares, which were sold through Potter Warburg, the Australian broker, were bought by a single offshore entity.

The takeover bid by the Normandy Minerals group for fellow Australian minerals group, Aztec Mining, has been put on hold by legal action.

Aztec is seeking further disclosure from Poseidon Gold, the Normandy Minerals subsidiary which is making the bid.

The hearing, in the Federal Court, has been adjourned until January 12.

Czechs seek new partner for CSA

By Patrick Blum in Vienna
and John Gapper in Prague

The Czech government is seeking a new partner for CSA, the national airline, in which Air France, the Caisse des Dépôts and the European Bank for Reconstruction and Development (EBRD) jointly have a 49 per cent stake.

Mr Jan Strasky, transport minister, said that his government was ready to buy Air France's stake, and sell it to another investor.

He said negotiations were under way with Delta of the US, and suggested a Czech bank may buy Air France's stake. Analysts say this could only be a temporary solution to the crisis at CSA.

Air France, which invested in CSA in 1992 in a move to establish a base in eastern Europe, wants to maintain its participation, but on the condition that the original shareholder agreement is maintained.

Air France opposes a pro-

posed change to voting procedures, with at least one of the six foreign shareholders vote in favour of strategic and financial decisions.

CSA was partially privatised in 1992, with about 40 per cent of the shares remaining in state hands.

EBRD paid for the 10 per cent, with the Caisse des Dépôts, the French financial institution, and Air France paying the same amount for their shares.

The bulk of Air France's investment was in the form of technical assistance, training and modernisation.

The Czech airline, burdened with ageing Soviet aircraft, expensive leases on new aircraft contracted before 1992, and a surplus of employees and unprofitable routes, has fallen deeply in the red with losses expected to be about Kcs1.3bn (\$41m) for 1994.

The airline's worsening financial situation has caused growing tensions between its foreign shareholders and the government.

CONTRACTS & TENDERS

PETROECUADOR STATE OIL & GAS COMPANY OF ECUADOR INTERNATIONAL OIL AND GAS TENDER

THE SEVENTH BIDDING ROUND FOR EXPLORATION AND PRODUCTION OF OIL AND GAS IN THE REPUBLIC OF ECUADOR

The state oil and gas company of Ecuador, Petroecuador. Authorised by the special bidding committee, (CEL), invites national or foreign, state or private companies. Associations or consortiums to participate in the following special bid.

Amazon Region. Special bid numbers:

- 001-CEL-94 for Block No. 11
- 002-CEL-94 for Block No. 13
- 003-CEL-94 for Block No. 19
- 004-CEL-94 for Block No. 21
- 005-CEL-94 for Block No. 22
- 006-CEL-94 for Block No. 23 (Reserved for any STATE - OWNED OIL companies)

Pacific Ocean region: Special bid numbers:

- 011-CEL-94 for Block No.3
- 012-CEL-94 for Block No.4
- 013-CEL-94 for Block No.5

The on-shore Blocks have an area of up to 200,000 hectares and the off-shore Blocks have an area up to 400,000 hectares.

The Registration fee is USD \$100,000 for the Amazon region blocks and USD \$50,000 for the Pacific Ocean region blocks. Payment must be made with a certified check from a local bank or a foreign Bank with a Branch in Ecuador. This check must be delivered at the treasury offices of Petroecuador's main building located at the following address:

Alpallana Y 11 De Diciembre. 1st Floor
Quito - Ecuador

Upon completion of the registration, the corresponding legal documents, the contractual provisions, the proformer of the contract, the procedure for the evaluation of the bid and the contract awarding process, the technical information on the blocks and all other necessary will be handed out starting 9 a.m. on Monday January 24th 1994 at the Unidad De Contratación Petrolera (UCP) located at the following address:

Santa Prisca 223 Y 10 De Agosto. 4th floor
Quito - Ecuador
Tel. (593) 584-860 or 584-439 Fax: (539-2) 582.511

The bids will not be accepted later than 16:00 Ecuadorian time on Tuesday May 31, 1994 at secretariat of the special bidding committee located at the office of the Executive President of Petroecuador on the 9th Floor of Petroecuador's main building.

DR. FEDERICO VINTIMILLA
EXECUTIVE PRESIDENT OF PETROECUADOR
GENERAL SECRETARY OF THE SPECIAL BIDDING COMMITTEES
PRESENTATION AND FURTHER INFORMATION

- LONDON. JAN 10, 1994 AT THE INTERNATIONAL COFFEE ORGANISATION
- PARIS. JAN 12, 1994 AT THE LATIN AMERICAN HOUSE
- CALGARY. JAN 17, 1994 AT THE CALGARY CONVENTION CENTRE
- HOUSTON. JAN 20, 1994 AT THE WESTIN GALLERIA HOTEL
- TOKYO. JAN 21, 1994 PLEASE CONTACT THE ECUADONEAN EMBASSY
- SEOUL. JAN 24, 1994 PLEASE CONTACT THE ECUADONEAN EMBASSY

Placing power across borders

REPSOL

40,000,000 shares
to raise Ptas 109.4 billion

International Placing
Co-Lead Manager

Kleinwort Benson Securities

March 1993

NYK LINE
(Nippon Yusen K.K.)

1 7/8 per cent Notes with Warrants due 1997
raise US\$ 100 million

International Offer
Co-Lead Manager

Kleinwort Benson Securities

March 1993

REPSOL

3,700,000 shares
to raise FFfr 1.1 million

International Placing
Lead Manager

Kleinwort Benson Securities

April 1993

Central Independent Television plc

6.5 per cent Euroconvertible Bonds due 2000
to raise £27.7 million

International Offer
Lead Manager

Kleinwort Benson Securities

April 1993

Metsä-Serla

3,460,000 shares
to raise FIM 577.8 million

International
Global Co-ordinator

Kleinwort Benson Securities

June 1993

AMS
International

1,850,000 shares
raise AS 621.6 million

International Offer
International Lead Manager

Kleinwort Benson Securities

June 1993

MACULAN HOLDING

305,820 ordinary shares
143,640 preference shares
raise AS 427.7 million

Rights Issue and International Offer
Joint Global Co-ordinator
and International Lead Manager

Kleinwort Benson Securities

June 1993

YPF

Yacimientos Petroliferos Fiscales (YPF)

160,000,000 shares
raise US\$ 3,040 million

Co-Lead Manager

Kleinwort Benson Securities

June 1993

MITSUBISHI OIL COMPANY, LIMITED

per Euroconvertible Bonds due 2000
raise ¥30 billion

International Offer
Co-Lead Manager

Kleinwort Benson Securities

July 1993

LAFARGE

6,665,000 units consisting
of share and warrant
raise FFfr 2.89 billion

International Offer
Senior Co-Lead Manager

Kleinwort Benson Securities

September 1993

DEBAG

1,440,000 shares
to raise AS 885.6 million

Rights Issue and International Offer
International Co-Lead Manager

Kleinwort Benson Securities

September 1993

unitas

11,676,350 shares
to raise FIM 179,231,973

International Offer
Co-Lead Manager

Kleinwort Benson Securities

September 1993

SCOTIA
Banking PLC

14,000,000 shares
to raise £1.1 billion

Domestic and International Offer
Global Co-ordinator

Kleinwort Benson Securities

October 1993

BNP
Banque Nationale de Paris

72,129,786 shares
to raise FFfr 17.3 billion

International
Co-Lead Manager

Kleinwort Benson Securities

October 1993

JINDAL STRIPS LIMITED

4.25 per cent Euroconvertible Bonds due 1999
to raise US\$ 60.5 million

International Offer
Lead Manager

Kleinwort Benson Securities

November 1993

Gartmore

45,037,990 shares
raise £75.7 million

International Offer
International Lead Manager

Kleinwort Benson Securities

November 1993

Central Puerto S.A.

1,753,375 American Depositary Shares
to raise US\$ 133.6 million

International Offer
Co-Lead Manager

Kleinwort Benson Securities

November 1993

Costanera
CENTRAL COSTANERA S.A.

4,040,580 American Depositary Shares
to raise US\$ 100 million

International Offer
Co-Lead Manager

Kleinwort Benson Securities

December 1993

Föreningsbanken

171,060,000 series A ordinary shares
60,000,000 series C preference shares
to raise SEK 3.5 billion

Demutualisation
Domestic and International Offering
Joint Lead Manager and Bookrunner

Kleinwort Benson Securities

December 1993

THE TAIWAN FUND, INC.

3,236,180 shares
raise HK\$ 81 million

and International Placing
Joint Lead Manager and Bookrunner

Kleinwort Benson Securities

December 1993

EBUT

572,453 shares
to raise FFfr 1 million

International Placing
Lead Manager

Kleinwort Benson Securities

December 1993

Credito Italiano

840,000,000 shares
to raise Lit 1,743 billion

International
Co-Lead Manager

Kleinwort Benson Securities

December 1993

JINRO GROUP
SINCE 1952

0.25 per cent Euroconvertible Bonds due 2009
to raise US\$ 30 million

International Offer
Joint Lead Manager and Bookrunner

Kleinwort Benson Securities

December 1993

Noras

38,605,440 shares
to raise TL 1 billion

International Offer
Global Co-ordinator

Kleinwort Benson Securities

December 1993

Kleinwort Benson Securities

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Shelton (BF)	100.0	
Shelton (BG)	100.0	
Shelton (BH)	100.0	
Shelton (BI)	100.0	
Shelton (BJ)	100.0	
Shelton (BK)	100.0	
Shelton (BL)	100.0	
Shelton (BM)	100.0	
Shelton (BN)	100.0	
Shelton (BO)	100.0	
Shelton (BP)	100.0	
Shelton (BQ)	100.0	
Shelton (BR)	100.0	
Shelton (BS)	100.0	
Shelton (BT)	100.0	
Shelton (BU)	100.0	
Shelton (BV)	100.0	
Shelton (BW)	100.0	
Shelton (BX)	100.0	
Shelton (BY)	100.0	
Shelton (BZ)	100.0	
Shelton (CA)	100.0	
Shelton (CB)	100.0	
Shelton (CC)	100.0	
Shelton (CD)	100.0	
Shelton (CE)	100.0	
Shelton (CF)	100.0	
Shelton (CG)	100.0	
Shelton (CH)	100.0	
Shelton (CI)	100.0	
Shelton (CJ)	100.0	
Shelton (CK)	100.0	
Shelton (CL)	100.0	
Shelton (CM)	100.0	
Shelton (CN)	100.0	
Shelton (CO)	100.0	
Shelton (CP)	100.0	
Shelton (CQ)	100.0	
Shelton (CR)	100.0	
Shelton (CS)	100.0	
Shelton (CT)	100.0	
Shelton (CU)	100.0	
Shelton (CV)	100.0	
Shelton (CW)	100.0	
Shelton (CX)	100.0	
Shelton (CY)	100.0	
Shelton (CZ)	100.0	
Shelton (DA)	100.0	
Shelton (DB)	100.0	
Shelton (DC)	100.0	
Shelton (DD)	100.0	
Shelton (DE)	100.0	
Shelton (DF)	100.0	
Shelton (DG)	100.0	
Shelton (DH)	100.0	
Shelton (DI)	100.0	
Shelton (DJ)	100.0	
Shelton (DK)	100.0	
Shelton (DL)	100.0	
Shelton (DM)	100.0	
Shelton (DN)	100.0	
Shelton (DO)	100.0	
Shelton (DP)	100.0	
Shelton (DQ)	100.0	
Shelton (DR)	100.0	
Shelton (DS)	100.0	
Shelton (DT)	100.0	
Shelton (DU)	100.0	
Shelton (DV)	100.0	
Shelton (DW)	100.0	
Shelton (DX)	100.0	
Shelton (DY)	100.0	
Shelton (DZ)	100.0	
Shelton (EA)	100.0	
Shelton (EB)	100.0	
Shelton (EC)	100.0	
Shelton (ED)	100.0	
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* FT Cityline Unit Trust Prices: dial (889) or (338) 430000, enter 4 and key in the five digit code listed below. Calls are charged at 36¢/minute cheap rate and 48¢/minute at all other times. International access available by subscription only. For more details call the FT Cityline Help Desk on (271) 873 4378.

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FINANCIAL TIMES MONDAY JANUARY 10 1994

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Increased dividend
payments. The
company's 1992
dividend was
\$1.00 per share.
Dividends are
paid quarterly.

This service is available to
members of the
company, subject to the
company's policies.

FT Share Service
The following charges are
information Service, Adv.
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Mining (Extractive Inds.)
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FT Free Annual
You can obtain the current
company annual report
free of charge. The
company will send you
the 1990 FT annual
report by mail. Call
the 770 0701 or fax 44 81
the next working day. If
you are a member of the
company, you can obtain
above and also your
FT Cityline.

FT Cityline
For up-to-the-second share
prices, call 0330 43 0681 or 43 0681
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FT GUIDE TO THE WEEK

10

MONDAY

Nato tries to redefine itself

Leaders of the 16 Nato countries meet for a two-day summit in Brussels. US President Bill Clinton, on his first trip to Europe since taking office in January 1993, will be attending. The US called the meeting - Nato's first summit since 1991 - to try to inject new life into the alliance.

Proceedings will be dominated by a dilemma over how to handle the aspirations of central and east European countries that want to join. Keeping both them and the Russians happy looks impossible.

Middle East peace talks between Israel and the Palestine Liberation Organisation are due to resume. Negotiations have been stalled over arrangements for the Israeli handover of Gaza and the Jericho area of the West Bank, which should have begun on December 13.

Beirut reconstruction: The share offer to capitalise Solidere, the company being created to rebuild Beirut city centre, closes today. The issue represents 35 per cent of the founding equity. \$1.17bn worth of shares are being distributed to property-owners in exchange for title to the land.

Wibbly presents her budget

Anne Wibble, (left) Sweden's finance minister, presents her budget for the 1994-95 fiscal year. After three years of deep recession, the economy is set to show modest growth. But sharply rising debt and a budget deficit of about 15 per cent of GNP have cramped policy options in the battle to reduce unemployment from 14 per cent.

Burmese opposition: The Karen National Union, the largest group of insurgents still fighting Burma's military government, is to tell its colleagues in the Democratic Alliance of Burma that it has decided to pursue separate peace talks. The move comes in response to mounting pressure from its traditional backer, Thailand.

Britain's Milk Marketing Board meets the government in an effort to win support for its plans to reshape itself as Milk Marque, a voluntary farmers' co-operative. The £3bn milk market in England and Wales is opened to competition in April. If the government rejects the board's plans, an investigation of the milk market is likely to begin on Wednesday.

11

TUESDAY

Russia's parliament meets

The newly-elected Russian parliament convenes - in two places. Because the government has taken over the old parliament building for itself, the State Duma (lower chamber) will squeeze into a former Comecon skyscraper, and the Federation Council (upper chamber) will sit in the former Soviet construction ministry a few miles away.

President Boris Yeltsin is expected to address both chambers separately on their first day. Election of a parliamentary speaker is an early task, which, reflecting the fractious nature of parliament, is unlikely to be easy. The parliament looks set to be dominated by anti-reform forces.

EMI meetings: The European Monetary Institute, the European Union's embryo central bank, holds its inaugural session in Frankfurt town hall. The Institute was set up on January 1, when stage two of the EU's progression to a single currency formally began.

South African reform: The Transitional Executive Council starts meeting in Pretoria for what are expected to be weekly sessions.

Tunnel ticket prices: Eurotunnel, operator of the Channel Tunnel, announces fares for Le Shuttle, the car passenger service which will run through the tunnel between Folkestone and Calais. Tickets go on sale on Wednesday ahead of the tunnel opening on May 6.

UK politics: The House of Commons returns after its Christmas recess. The Finance Bill will be published, with no substantial changes expected from the November Budget, the first to unify spending and revenue measures. Stephen Dorrell, the financial secretary to the Treasury, will be the minister mainly responsible for piloting the Bill through the Commons.

Phones of the future

Al Gore (left), the US vice-president, addresses communications and entertainment industry executives at a conference on information superhighways sponsored by the University of Southern California, Los Angeles. He will outline the administration's telecommunications policy into the next millennium.

FT Survey: West Bengal. After a quarter of a century of decline, the state's industrial revival seems imminent. In Calcutta, the eastern seaport which is the natural gateway to emerging Asian nations, there is a strong campaign to revive some of the region's lost glory as India's prime industrial heartland.

12

WEDNESDAY

Proposal for allaying angst

The Czech capital Prague is the venue for a meeting between President Clinton and the leaders of the Visegrad group of four central European countries, Czech president Václav Havel (above), Polish president Lech Walesa, Hungarian president Árpád Göncz and Slovakian president Vladimír Mečiar. President Clinton will be explaining Nato's plans for closer military collaboration through so-called "partnerships for peace" that stop short of full membership. He will be trying to reassure them that the scheme will address their security fears.

Clinton then flies on to Russia, where among other things he will try to assure his hosts that the planned arrangements pose no threat to them.

Italian confidence vote

The Italian parliament is due to debate a motion of no-confidence in the government of prime minister Carlo Ciampi (left). This will determine both the date of the dissolution of parliament and that for early elections.

Metalgesellschaft: Deadline for banks to approve a DM3.2bn (\$1.9bn) bail-out for the German mining, metals and engineering group.

Georgia's president: Eduard Shevardnadze is scheduled to start a two-day official visit to Turkey for talks on regional and international issues. Shevardnadze is to sign a series of agreements on industry and trade, tourism, security, customs, prevention of smuggling, drugs smuggling, culture and sports.

UK economic policy: Chancellor of the exchequer Kenneth Clarke and governor of the Bank of England Edie George have first substantial discussion of monetary policy since last November's Budget. Inevitably, interest rates will feature on the agenda.

The policy dilemma is whether to cut rates in anticipation of the effect of April's tax rises on consumer demand, or to wait to see how consumers react. Recent positive economic indicators have dampened speculation of a cut in the short term.

UK unemployment: Labour market statistics for December 1993 are expected to show the number of jobless still falling, but more slowly. Estimates of the month's decline vary from 5,000 to 40,000, with the trend fuelled by more hiring rather than just a slow-down in firing. Unemployment in November was 2,816,000.

13

THURSDAY

Clinton confers with Yeltsin

President Clinton holds talks in Moscow with Boris Yeltsin, the Russian president. Signs are that economic reform is taking a back seat.

Russia is being much more assertive abroad, especially in the former Soviet states. And Mr Clinton will need a lot of balm to soothe Russian suspicions that Nato is creeping up to its borders.

A bridge too far? Swedish prime minister Carl Bildt's four-party coalition will meet in an attempt to make a long-delayed decision on building a road-and-rail link to Denmark, the first fixed link between Sweden and the European mainland.

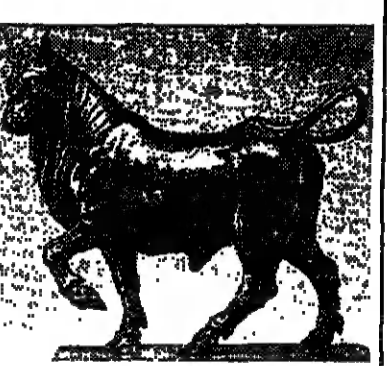
Stockholm and Copenhagen signed a treaty to build the combined 18km bridge-tunnel across the Öresund strait in 1990. However, the \$2.8bn project has been held up by opposition from Sweden's Centre Party. Its environmental objections are shared by many voters, according to opinion polls.

Mr Bildt, anxious to avoid a coalition upset, is striving to find a compromise that will allow the project to go ahead, while keeping the Centre Party in the government. A frustrated Denmark, meanwhile, is threatening to sue if Sweden backs out.

UK electricity industry regulator, Professor Stephen Littlechild, is due to speak on power generation and electricity supply at a conference in London's Langham Hotel. He has to decide soon whether to refer generating companies National Power and PowerGen to the Monopolies and Mergers Commission. Analysts will be studying the speech for clues on his thinking.

Thorp in court: Environmentalists go to the High Court in London to seek judicial review of the UK government's decision to start up Thorp, the controversial nuclear waste reprocessing plant in Cumbria. Thorp is due to begin operations on January 17.

Salerooms: Sotheby's New York offers for sale the collection of the late Peter Jay Sharp, a New York hotelier and real estate developer. The 77 lots are expected to bring in some \$15m. They include Old Master paintings, illustrated books, French furniture, and Renaissance bronzes, including the figure of a bull below.



President Clinton is making his first trip to Europe since assuming the US presidency almost a year ago

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FRIDAY

US seeks boost in the east

Lloyd Bentsen, US treasury secretary, in Moscow for President Bill Clinton's summit with Russian President Boris Yeltsin, embarks on a trip to the far east.

His first stop is Jakarta, Indonesia. He travels on to Thailand and China before returning to the US on January 23.

Bentsen hopes to strengthen economic relations and improve opportunities for US goods, investment and financial services.

Environment conference: Ministers from 17 nations, including the US, begin an informal three-day conference on global issues in Agra, India.

UK national lottery: Peter Davis, director-general of the national lottery, has called for expressions of interest in applying for the lottery licences by today. The deadline for applications is February 14.

Golden trends: Gold Fields Mineral Services, producer of the influential annual Gold Survey, is due to publish its second update on trends in the 1993 gold market.

15-16

WEEKEND

Clinton and Assad to talk

President Clinton stops off in Minsk, capital of Belarus on Saturday en route to Geneva. There, he and President Assad of Syria are due to discuss the Middle East peace process.

Inkatha decision: Chief Mangosuthu Buthelezi's Zulu-based Inkatha party will decide at its congress on Saturday, whether to uphold its boycott of South Africa's first all-race elections in April.

Japanese reform: If the government's political reform bills fail to get through the upper house of parliament by Sunday - 60 days after passing in the lower chamber - the lower house has the right to form a joint committee with the upper house and enact amended versions. The current session of parliament has been extended to January 29 in an attempt to get the bills through.

Presidential elections take place on Sunday in Crimea, a region of Ukraine with considerable autonomy, and Finland, where a second round is expected on February 6.

Compiled by Patrick Stiles.
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ECONOMIC DIARY

Other economic news

Monday: Figures for the UK's October visible trade deficit are expected to show an improvement on September's £1bn shortfall. According to MMS International, the median forecast is a deficit of £600m. November consumer credit figures are predicted to show new lending of £200m.

Tuesday: The first estimate for West Germany's 1993 GDP is expected to show a 1.9 per cent drop, and may indicate a GDP fall in the fourth quarter.

Wednesday: UK average earnings figures will be scrutinised for evidence of any inflationary pick-up; market consensus is for an unchanged annual rate of 3 per cent.

Thursday: The US publishes December figures for retail sales and the consumer price index. Expectations are for month-on-month growth of 0.4 and 0.3 per cent respectively. Markets will be looking for inflationary signs which might encourage the Fed to raise interest rates.

Friday: Publication of the Japanese wholesale price index should show continuing deflationary pressures being imposed on the economy by the strong yen. Expectations are for a 3.2 per cent decline in the year to December.

Statistics to be released this week

Day Released	Country	Economic Statistics	Median Forecast	Previous Actual	Day Released	Country	Economic Statistics	Median Forecast	Previous Actual
Mon	France	Dec consumer prices index**	2.3%	2.2%	Fri	US	Dec industrial production	+0.4%	0.5%
Jan 10	UK	Nov consumer credit	£300m	£311m	Jan 14	US	Dec capacity utilisation	63.2%	63%
	UK	October visible trade (global)	-£600m	-£1bn		US	Jan Michigan sentiment prelim.	-	66.2
	Canada	Nov motor vehicle sales*	2.5%	2.4%		US	Nov business inventories	+0.2%	unchanged
	Norway	December consumer prices index**	2.1%	1.9%		Japan	Dec wholesale prices index*	0.2%	-0.1%
						Japan	Dec wholesale prices index**	-3.2%	-3.4%
Tues	US	Johnson Redbook - w/e Jan 8	-	-0.4%		Spain	Dec consumer prices index*	0.2%	0.2%
Jan 11	Germany	1993 GDP - West, first est.	-1.9%	1.6%		Spain	Dec consumer prices index**	4.7%	4.7%
	Canada	Nov department sales**	-1.2%	-2.7%					
	Canada	Dec housing starts (units)	170,000	171,000					
	Australia	Dec unemployment (seas. adj.)	11%	11.1%					
Wed	US	Dec producer prices index	-0.1%	unchanged					
Jan 12	UK	Nov average earnings	3%	3%					
	UK	Dec unemployment rate	-20,000	-36,000					
	Canada	Oct labour income - seas. adj.**	2.2%	2.6%					
Thur	US	Dec retail sales	+0.4%	0.4%					
Jan 13	US	Dec retail sales (ex-autos)	+0.4%	0.5%					
	US	Dec consumer prices index	0.2%	0.2%					
	US	Dec CPI (ex-food/energy)	0.3%	0.3%					
	US	Initial claims - w/e Jan 8	354,000	363,000					
	US	Money supply for Dec	-	-					
	US	Money supply - w/e Jan 3	-	-					
	Norway	Dec trade balance (ex-ships)	NOK3.9bn	NOK3.6bn					

*month on month, *quarter on quarter, **year on year Statistics, courtesy MMS International.

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SINGAPORE AIRLINES

MONDAY PRIZE CROSSWORD

No.8,349 Set by VIXEN

A prize of a Pelikan New Classic 990 fountain pen for the first correct solution opened and five runner-up prizes of £35 Pelikan vouchers will be awarded. Solutions by Thursday January 20, marked Monday Crossword 8,349 on the envelope, to the Financial Times, 1 Southwark Bridge, London SE1 9HL. Solution on Monday January 24.

Name: _____
Address: _____

JOTTER PAD

Of broking and jolting the Pelikan's fond.
See how sweetly he puts your word onto bond.

Pelikan

JOTTER PAD